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MODERN ECONOMIC HISTORY

By

H. HEATON

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MODERN ECONOMIC HISTORY

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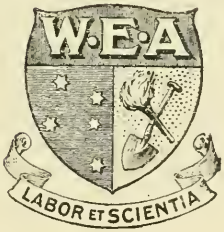
MODERN ECONOMIC HISTORY

WITH SPECIAL REFERENCE TO AUSTRALIA

BY

H. HEATON

M.A., M.Com., D.Litt.



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GENERAL PREFACE TO W.E.A. SERIES.

THE scarcity of authoritative Australian books on economic, social, and political problems has been severely felt during the development of the Workers' Educational Association in the Commonwealth. On the foundation of the Federal Council of the W.E.A. in 1918, a means of overcoming this difficulty was sought. Among the professors, lecturers, and tutors who have so readily assisted the tutorial class movement, some had collected valuable material bearing on these problems. Through the Federal Council it was thought possible to assemble this material for publication in a series of monographs intended for the use of students in tutorial classes and elsewhere. Thus has the W.E.A. Series of publications been founded, and it is hoped that its utility will extend beyond the immediate needs of members of the W.E.A. to the growing number of students of social problems in Australia.

The chief aim of the series being to encourage investigation in a field of study hitherto surprisingly neglected in Australia, the W.E.A. does not accept responsibility for the views expressed by the writers therein. Its purpose is to stimulate thought, not to propagate doctrines. A disclaimer of this kind may appear odd in a preface, but our experience of the persistency with which our critics insist on attributing to the Association the opinions of those who happen to be connected with it, has convinced us that it is necessary.

G. V. PORTUS.
General Editor, W.E.A. Series.

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AUTHOR'S PREFACE TO FIRST EDITION.

THIS volume had its origin in a series of pamphlets published in 1917-18 by the Workers' Educational Association of South Australia, and attempts to provide a historical and descriptive introduction to the study of Economics. Until the establishment of the W.E.A. in the Commonwealth, Economics was almost the Cinderella of University studies, but since 1914 the subject has grown rapidly in popularity, both among undergraduates and among that wider public which has been drawn into the University tutorial classes. Experience with both kinds of students in Australia suggests: (1) That the best approach to the study of Economics lies in a historical and descriptive survey of modern economic life and organization; (2) that for Australian students it is better to concentrate on developments since about 1760 than to give much time to the fascinating but (to Australia) scarcely relevant movements of earlier economic history; (3) that the range of treatment should be world-wide, with special reference to Great Britain, Germany, the United States, and Australia, rather than confined to any one country. For a course so framed there is not one suitable book. Works published in London or New York confine their attention to Great Britain, or Europe, or the United States; often they give the greater part of their space to events before 1800 or 1850, and scamper lightly over recent developments; and in all cases they ignore Australia, or dismiss it in a few lines.

It is hoped, therefore, that the present volume will meet a need felt by Australian teachers and students of Economics. Many of them will criticize my allocation of space to the different subjects, and I shall probably agree with their criticisms. Much is omitted which should be inserted; there is nothing about price movements, little about private finance, and less about public finance. My only excuses are that the book is already too long, that the addition of prices and finance would necessitate the inclusion of much theoretical discussion, which has been well done in such volumes as Clay's "Economics for the General Reader" or Gide's "Political Economy," and that one cannot deal with everything in a book which is admittedly only an introduction. Those who wish to continue their studies beyond the point to which this book takes them are recommended to read the two volumes just mentioned, and consult those referred to at the end of each chapter.

For help in reading the proofs I am indebted to Mr. W. Ham, Mr. V. E. Cromer, and Mr. F. A. Bland. For any errors in fact, and for all opinions expressed in the following pages, I alone am responsible. Where the word "to-day" is used in the text it should be understood to mean December, 1920.

H.H.

University of Adelaide,
March, 1921.

Note to Second Edition. The second edition of this book is little more than a re-print of the first. Typographical errors have been corrected, but I have shrunk from the task of revising the text in order to include the events of 1921. Readers who look for accounts of the trade depression, the weakening of the trade unions, the abandonment of Bolshevik plans in Russia, etc., will therefore be disappointed.

H.H.

Christmas, 1921.

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TO MY WIFE.

CHAPTER I.

INDUSTRIAL AND COMMERCIAL LIFE IN THE EIGHTEENTH CENTURY.

The economic world of to-day is in general the product of centuries of growth. But in its main features and chief problems it is especially the outcome of great changes which took place between about 1750 and 1850. These changes affected industry, agriculture, commerce, and finance; they reacted on politics. Their origins can all be traced back long before 1750; but after that date they were so accelerated, so fundamental, and so disruptive as to be revolutionary. They produced a new economic and social order, different in appearance from that which preceded it. The difference is not entirely due to new tendencies. Modern economic life is marked by the use of capital at every point, with economic control in the hands of those who own that capital. We live in a capitalist system. Now capital had become fairly important before 1750, and the capitalist controlled those who worked in many industries. But the most fertile fields for profitable use of capital were commerce and finance rather than production. The period of change brought new knowledge, new machines, new sources of power, new markets, new products, new methods of production, new sources of wealth. In order to take advantage of these possibilities the capitalist had to abandon old methods and types of organization and erect a new structure to house them. He had to put big sums of capital into production as well as commerce. Capital was used in 1750; it is the economic technique, the way the capital is used, which is new.

Before outlining the chief developments of the economic revolution, and describing the conditions which emerged from it, let us glance in this chapter at the chief features of industrial and commercial organization on the eve of the great change.

The Domestic Workshop. The big factory, in which thousands of people may be employed, is essentially a modern product. In the 18th century the congregation of any large number of workers under one roof was so rare that travellers went miles out of their course to see this industrial curio. Further, the industrial town and the intense localization of industry in certain areas were almost unknown. The worker lived in the suburbs of towns which were predominantly commercial or political centres, in industrial villages, or in houses scattered broadcast over the countryside. Usually he had a few acres of land attached to the cottage, or possessed the right to turn live-stock on to some common pasture; hence farming was frequently a by-occupation, to which he could turn in spare moments or when the industrial market was slack. He had two strings to his bow, and his livelihood came from agriculture and industry alike.

The cottage was also the workshop, and often the living-room and bedroom were used for some industrial purpose. All the members of the family, from the child of four or five years to the old men and women, were enrolled in the labour army. These domestic conditions were liable to produce two unpleasant results. (1) The cottage was usually low, dark,

damp, and ill-ventilated to begin with. If to these faults we add those arising from the use of oil, evil-smelling substances and charcoal fumes, and the presence of chemical and metallic dust or wool "fluff" in the air, it is evident that conditions might often be as bad and unhealthy as they were in the early factories. The family never got far away from its working environment. (2) The employment of women and children opened the way to infinite abuse. When necessary, the housewife had to do a full day's industrial work, and then find time for domestic duties. How she did it was known only to herself. Meanwhile, every child, as soon as it could understand instructions, was set to work at a task which may not—or may—have been too heavy for it. "Scarcely anything above four years old but its hands were sufficient for its own support," says Daniel Defoe. The child paid for its keep, but at what a cost to the future manhood of the nation! And yet no voice was raised in protest.

Production was carried on with the aid of tools or primitive machines. For most industries the equipment was crude, and so small that it could be driven by manual power. Hence the worker had to supply not merely the skill required for his task, but also the physical strength required to work his machinery or wield his tools. This placed a great strain upon his physique, especially as many tasks could only be done by standing or sitting in a stooping position. Industrial fatigue was a very real thing, and its severity was accentuated by the long hours of labour and the scarcity of holidays. The minimum hours of labour were from 5 a.m. to 7 or 8 p.m. in summer, and from dawn to dusk in winter. They were fixed by law, and even longer hours might be worked when pressure of business demanded them. In fact, life for most workers was a dreary round of work, eat, and sleep. No wonder, therefore, if men occasionally ran amok and indulged in a few days' drinking bout.

It is sometimes claimed by critics of capitalist production that the application of manual skill used to give the old workman an interest and pride in his task. He is said to have experienced the joy of creation and the satisfaction of seeing the product of his labour gradually evolving under his hands. It is claimed that he was able to impress his work with the stamp of his individuality and to express his soul and ideals in the material under his care. This might be true in the case of men engaged in artistic work, such as carving in wood and stone, or weaving tapestries. But the great mass of men, in the 18th as in other centuries, were not employed in that way. They were working from dawn till dusk, in unhealthy surroundings, producing yard after yard of cloth, every inch of which must be like every other. Or they were making cheap crockery, or digging coal by candle-light in a mine innocent of any efficient pumping plant. Or they were making hundreds of nails or chain links, each one like the rest—and all for small wages or profit. In this monotonous, physically-exhausting and repetition work there was little room for the joy of creation or the expression of one's individuality.

Industrial Organization. When we get behind the work to the economic structure, we find very varied types and sizes of organization. In some parts and some industries—*e.g.*, the Yorkshire woollen manufacture—there was the small employer, whose family was the firm. He went to the market to purchase his week's supply of raw material, which was then worked up in the cottage by the members of the household into a saleable

commodity, and sold at the next market to merchants or agents. Some of these small men worked to the order of merchants and never went near the market; some of them received the raw material from the middleman for whom they worked. Higher in the scale came the middle-sized employer, who supplemented the labour of himself and family by taking apprentices and employing journeymen and women. Some of the employees might work under the master's roof; others owned or were lent the necessary tools, etc., and took the raw material away to work up in their own houses. Higher still came the large employers, who were to be found in the textile industries and also in mining, ship-building, and other occupations which could not be carried on without large sums of capital.

These big men might have all their employees working together under direct supervision—*e.g.*, ship-building. Or they might have some at work in the employer's shop and others taking the material away to work up at home—*e.g.*, a Yorkshire clothier, who had 11 looms in his own loomshop and 10 in the houses of his weavers. Or they might have no central workshop of their own, and let all the work be done in the workers' homes. In this last case the employer was a commercial middleman rather than a manufacturer. He bought raw material, and took it to his warehouse; here he gave it out to journeymen or small employers of the class described above; sometimes he provided the equipment as well. The workers then took the material home, and later returned with it in a semi-manufactured or manufactured state, received payment according to a piece-rate, and took away more material. This practice was common in parts of the cloth, boots, hats, and small ironware industries. It still survives in some places for making chains, nails, and clothing apparel. In the 18th century the absence of any supervision over the scattered workers led to frequent complaints about embezzlement of raw material and bad workmanship; in the 20th century the competition between the home-worker and the factory producer exposes the former to the worst features of sweating.

From this brief analysis of the industrial structure it will be evident that in some important industries it was possible for a man to start life as a journeyman and then, by dint of hard work, ability, and thrift, save enough to enable him to set up in a small way on his own account. Once that step had been taken, passage to the higher ranks of employerdom might not be difficult. The cost of equipment was not great in the textile and metal-work trades, and many wage-earners actually did gain some measure of independence. Independence did not necessarily mean wealth, but often the reverse. Competition might be keen, the merchant's grip might be rough and tight, periods of acute depression were frequent. Therefore the man who escaped from wage-earning might be little better off in his new position. He had to look forward to a life of strenuous toil, with small reward. Affluence came eventually to some, but for the great bulk of the small men life meant hard drudging work for small returns.

Apprentices and Journeymen. Apprenticeship had been a legal part of the industrial system for 1,000 years at least. Since industry depended upon manual skill, and since one man might do many processes, it was essential that the worker should be thoroughly trained in all that related to his occupation. This end was achieved by demanding a seven years' apprenticeship, and although the full period demanded by the law was not always enforced, most workers could claim to have undergone some pre-

liminary technical education. Generally the apprentice lived with his master, and fared happily or otherwise according to the temper of his tutor. He was protected by law against undue cruelty, but was liable to severe punishment for neglect of duty or misbehaviour. In return for his services he was taught all that related to the occupation he had chosen. At the end of his term two courses were open to him. He might, if he possessed the necessary capital, set up on his own account. Should he be unable to do so, he could seek employment as a wage-earner, and try to save sufficient to enable him to become a small independent or semi-independent master craftsman.

From mediæval times downwards wages of journeymen had been subject to regulation, first by the towns and guilds, and later by the state. A famous act of 1563 ordered the justices of the peace in each county to assess wages every Easter for all occupations carried on in the county. These assessments were to be such as would "yield to the hired person, both in the time of plenty and in the time of scarcity, a convenient proportion of wages." In practice, the rate fixed was usually a maximum, and any person paying or accepting more than the assessed wage was liable to a heavy fine. The result had probably been that wages were kept down in a period of rising prices. By the beginning of the 18th century this plan of regulation had broken down, and although some attempts were made to revive it, its influence upon the wages rate in that century was small. Wage-earners, however, were now beginning to look to themselves, especially in those occupations in which it was difficult for the employee to reach independence. Hence appeared the first trade unions, which after 1720 became numerous and adopted methods similar to those practised in the 19th century. The state did its best to suppress all labour organizations, but unionism smouldered all through the century, and burst into flames with the coming of the factory and the factory system. (See Chapter XIV.)

Growth of Capital. The 17th and 18th centuries witnessed a growing realization by Western Europe of the many profitable uses to which capital could be put. The opening up of the New World and the discovery of sea routes to the Far East shifted the centre of commercial gravity from Central to Western Europe. Commercial power went first to Portugal and Spain, then to Holland. From Holland it passed into the hands of the two great rival powers, England and France. The factors which enabled the England of 1588—fighting for its very existence—to become the England of 1763—defeating France in three continents—were partly political, but far more economic. They included the extension of old industries, such as woollens, and the establishment of new ones, such as silks and cottons; the rise of a big native merchant class, which fetched and carried in most parts of the earth; the acquisition of colonies and establishment of trading centres; the construction of a mercantile marine. And since all these developments needed money they were accompanied by the growth of credit facilities and the devising of plans for the accumulation and use of large sums of capital.

Capital, therefore, began to play a more important part in nearly every walk of life. In small-scale production its sphere was limited, though the large merchant-middleman, who bought and distributed raw materials and then collected and sold the finished article, had to lay out big sums of money. Some branches of activity required more than one man might possess, and so the pooling of resources into a joint stock became a common practice.

Almost the first joint stock enterprises were concerned with financing the privateering, slave-trading, bullion-snatching ventures of the Elizabethan sea-dogs. Gentry, landowners, merchants, and sometimes the Queen, invested money, and usually, when the spoils were shared out, received their capital back, plus a profit which ranged from 30 to 100 per cent. in most ventures, but in Drake's expedition round the world reached the colossal figure of 4,600 per cent. From this the joint stock plan passed on, and was applied to the planting of colonies and the prosecution of trade with far-distant countries—*e.g.*, the East India Company. For a time capital was contributed for one year or one trip only, but eventually it was regarded as a permanent investment, and the owner could get his money back only by selling his share. Soon people realized that joint stock could be adopted for all sorts of ventures, and so the 17th century saw companies floated for land drainage, fisheries, mining, smelting, water supplies, postal service, street lighting, the manufacture of paper, linen, glass and metal goods, insurance, banking, etc. By 1717 the total share capital of British companies was over £20,000,000. This money had been to some extent subscribed by persons who had no practical knowledge or experience of the trade in which their money was employed. The buying and selling of shares developed steadily, and by 1700 there were open and well-organized markets in London, Amsterdam, Frankfort, and Hamburg for such transactions. Men began to deal speculatively in scrip; others exploited the growing popularity of the joint stock idea, and so the years preceding the South Sea Bubble (1720) saw an orgy of speculation and company promoting. The bursting of the bubble brought public wrath on the head of the new form of company; the state forbade any but chartered companies to operate, and since charters were difficult and costly to obtain joint stock organization passed into the background for over a century.

Banking. Of the many joint stock companies formed in the 17th century, by far the most important was the Bank of England. Banking came slowly to Western Europe. Venice had its bank in the 12th century, and Florence and Genoa became important banking centres in the next three centuries. The commercial growth of Holland called for the formation of the Bank of Amsterdam in 1609. In England facilities for the safe keeping of bullion and valuables were offered by the goldsmiths even in Tudor times, and the strongrooms of Lombard Street were full of treasure deposited there by nervous citizens during the stormy times of the Stuart kings. From this practice two others evolved. Depositors were given a receipt stating the value of the wealth handed over to the goldsmith, and began to hand these receipts over to other persons in payment of debts. Thus the banknote originated. At the same time the goldsmiths, noticing that large sums of money always lay idle on their hands, began to lend some of this hoard to the Crown or to private borrowers. The loan might be made in metal, but more often it was given in the form of paper, which entitled the bearer to obtain gold on presenting it at the goldsmith's shop. Thus the goldsmith turned into the banker. He took deposits and paid interest thereon; he issued notes in excess of the deposits in his vaults; he discounted bills of exchange.

These developments culminated in the foundation of the Bank of England. In 1694 a group of financiers lent £1,200,000 to William III. In return they got interest at 8 per cent. and a charter permitting them to

open a bank, receiving deposits and lending money, either in metal or in notes. At first it was supposed that all the lending would be to the Crown, but this was not the case. A big private business was built up, and the bank's notes came to be regarded as being "as good as gold." The whole standing of banking was raised, and the rate of interest on loans fell from 8 per cent. to 4 per cent. within twenty years. A few other smaller banks were soon established, and London obtained the financial facilities which helped it to displace Amsterdam as the money centre of Europe.

The Difficulties of Travel. The expansion of production and trade in the 18th century was impeded by natural and artificial obstacles. Sea transit was steadily improving, but land traffic was difficult. Roads were few and bad; finger-posts were rare, and in some parts wise travellers set out accompanied by guides. Overhanging trees on each side of the road threatened the horseman with the fate of Absalom, while the ruts and pools of muddy water rendered the surface very uneven. Repairs were done under compulsion by the inhabitants of each district, and this forced "statute labour" was badly done, when it was not evaded. Arthur Young, who had travelled over most of Western Europe, frequently abandoned polite language in his indictment of some English highways. One road is "infamous; I was near being swallowed up by a slough." Another is, "sufficient to dislocate one's bones." A third is so bad that Young cautions all travellers "to avoid it as they would the devil, for a thousand to one but they break their necks or their limbs by overthrows or breakings down . . . in these 18 miles of execrable memory." Bridges were few, and most streams had to be forded. Dick Turpins infested the main roads, and reaped a rich harvest from the lonely traveller. But if road communication was difficult, river transit was little better. Many of the rivers were still in their natural state, with their course broken by rocks, shallows, rapids, fallen timber, etc. On top of all these obstacles came others imposed by individuals or the state. International trade was subject to an elaborate maze of customs duties, prohibitions, etc., and often internal traders had to pay tolls and other dues in order to take their goods from one part of a country to another or get them admitted into a town. Commerce needed more roads and better roads, navigable rivers and canals; it needed fewer restrictions on freedom of movement and the abolition of many duties. Between 1760 and 1830 it got most of these needs satisfied.

Books Recommended. This chapter is a very slight sketch of pre-factory economic life and organization. Those who wish to supplement it should read some of the following works: Ashley, W. J., "Economic Organization of England," chaps. 4 and 5; Toynbee, A., "Industrial Revolution," chaps. 4, 6, 7; Hobson, J. A., "Evolution of Modern Capitalism," chap. 4, Ogg, F. A., "Economic Development of Modern Europe," chaps. 3-4; Unwin, G., "Industrial Organization in the 16th and 17th Centuries"; Warner, T., "Landmarks in English Industrial History"; Heaton, H., "Yorkshire Woollen and Worsted Industries," chaps. 8-11.

CHAPTER II.

THE COMING OF MODERN AGRICULTURE.

In agriculture, as in industry, the last 160 years have witnessed a great revolution. In methods of production and sale, in land tenure, in the quality and quantity of the product, changes have taken place in old countries, while vast new areas have been called into service to meet the wants of mankind. In all countries the change has been due to the application of science to the production of crops and the rearing of live stock, the growing use of machinery and capital, and developments in the means and possibilities of transit. In most lands this progress has been compatible with the survival of the small farmer, the peasant proprietor. But in England modern farming brought with it the large farmer and the big landlord. Land has accumulated in the hands of a few big owners, and the peasant proprietor is the exception. This peculiar development is partly due to economic causes, but far more to the fact that during the critical period political power was in the hands of the big landlords, who utilized the parliamentary machine to further their own interests. The English rural problem, which engaged the attention of social reformers for twenty years before the War, is in many respects a legacy of the days of parliamentary rule by a landed oligarchy. Parliamentary government is not an unmixed blessing, and despotisms have sometimes been more tender than parliaments to the small man on the land.

English Land Tenure in 1700. Before tracing the revolution in English agriculture and land tenure, let us consider for a moment the system which the revolution destroyed, taking our stand about 1700. At that time the land was in the hands of a great number of owners—some large, many small. Seven centuries before it had been let out to the church or the feudal military nobility—let, not given—and in return the feudal tenant had to pay a rent in the form of money, military service, and other dues. With the Reformation, the abbey lands were handed over to the nobility. Eventually, in the 17th century, the landlords, from their position in parliament, abolished all such dues, and thus became in effect, though not in legal theory, owners of the land. Part of each estate the landlord often farmed himself or through a bailiff; the remainder he let out to tenants. These might be leaseholders for life or for a fixed number of years; or they might be copyholders, who were virtually perpetual tenants, free from fear of eviction so long as they paid their dues. Alongside these farmers proper was a class of cottagers, who rented a cottage, and gradually, by force of custom, acquired the right to turn cattle, etc., on to the common pastures—the village green of the estate. This right, for which there was seldom any written or legal justification, was of great value to the cottager, who was able thereby to keep a few live stock. The rent paid by these various tenants was usually in money. In some parts, however, old customs still survived, and payment was made in part by working on the landlord's farm for a fixed number of days, or by giving live stock. Thus, for instance, we find on one estate a cottage let for an annual rental of 40/-, two fat geese and two hens at Christmas. A farm is leased for ten guineas, two hens,

10 eggs, and the spinning of 3 lb. of flax; the giving of one day's work at harvest-time, the carrying of coals, and the getting of peat, lime, or firewood were recognized parts of the rent payment. Further, in some places all tenants were compelled to have their corn ground at the landlord's mill, or their beer brewed in his brewery, making a small payment in return for such services.

In addition to these tenants, there was a slowly diminishing class of small landowners, known as yeomen or freeholders. These men had succeeded in gaining possession by purchase of their holdings, and were free from the grip of any landlord. Their stronghold was the west of England. They were a sturdy, hard-working body of men, and from their ranks Cromwell had drawn his best supporters during the Civil War.

Open Fields and Common Lands. The methods of cultivation were of a primitive type, for farming practice had made little progress during many centuries. The chief work of the rural community was to feed itself, and therefore the greatest emphasis was placed on corn-growing. The arable lands were distributed in a peculiar manner, which had survived in more than half the English villages for at least 600 years. The whole arable land on the estate was cut up into fields, which were then divided into an enormous number of narrow strips. These were shared out among tenants and yeomen in proportion to the size of their holdings. For instance, in one part of an estate there would be an area of very fertile land. This was declared to be a "field," divided into strips 220 yards by 22 yards—*i.e.*, one acre in area—and the strips were then allotted to the various claimants. In another part of the estate would be a comparatively unfertile area, and the same process applied to this patch. In practice, the arable land was often divided into at least 10 or 12 fields, each of which was subdivided into these narrow strips. In places the strips were less than one acre in area; we find one man holding 80 acres in 164 strips, another 166 acres in 217 parcels, a third two acres in six bits. They were not fenced off separately, but marked out by leaving a "balk" or strip of unploughed land about a yard wide between; a fence round the whole field kept out straying cattle till after harvest.

On the land thus curiously distributed the farmers raised their crops, working on a two or three years' rotation. In the three-field system a piece of land was sown one year with wheat or rye, and next year with oats or barley; then, being exhausted, it was allowed to lie fallow in the third year, after which it began another round. In the two-field plan land was cultivated one year and left fallow the next. Thus every year one-third or one-half of the arable land was unproductive. Meanwhile the cattle were fed by being allowed to wander on the common pastures. These pastures were large areas of unfenced land, over the whole of which anyone's cattle had the right to roam at large. Hay was obtained from the common meadows, and when cut was shared out among the villagers in proportion to the size of their holdings. Finally, in the waste land, swamps, and woodland round the village, supplies of wood and peat for fuel, bracken for bedding, and acorns for the pigs could be procured; and these common rights of pasture and fuel were of no small value, especially to the poorer villagers. The whole of this agricultural life was in some places controlled by the village community, which met periodically, and exerted a powerful influence. It decided what crops should be sown, and when; fixed days before which

harvesting and haymaking must be completed; limited the number of cattle each person might put on the pastures; settled disputes between farmers; appointed officials to enforce its decisions; chose a shepherd to tend the cattle; saw to the erection of fences, and employed boys to act as scarecrows. It was a village parliament, with large powers.

Faults of the System. It needs little insight to detect the defects in the above arrangements. The "mingle-mangle" distribution of arable land caused a great waste of land in balks and footpaths. The balk was seldom cleared, and was therefore a breeding-place for weeds. There was a great waste of time in moving labour, implements, carts, etc., from one strip to another. If a man had 100 strips scattered over the whole face of the estate, he would waste hours in getting from one to the other at ploughing or harvest time. Again, the treatment of the land was very crude. The wood plough still prevailed in many parts, and did little more than scratch the surface. Draining, weeding, better rotations, all were useless unless all farmers undertook them, and the progressive cultivator found it wellnigh impossible to get his more backward neighbours to adopt such innovations. Hence the land lay water-logged during rainy seasons, weeds flourished unchecked, and the soil yielded only about four times the quantity of grain sown. Finally, the fallow fields represented a serious waste of valuable land. No wonder, therefore, that Arthur Young and others fumed at the open fields. Never were more miserable crops seen than those in the open fields; they are absolutely beneath contempt; the husbandry is universally bad; the fields are in a slovenly condition; the farmers are a poor, wretched sort of people. These are some of Young's verdicts, and they are only slightly exaggerated. The pastures also contained every conceivable fault. No attempts were made to improve the quality of the grass, for everybody's business is nobody's. The land was over-stocked, and rabbits sometimes competed with cattle for supremacy. Cattle diseases spread quickly, and so serious were these distempers that in 1759 the king ordered thanksgiving services throughout the kingdom to celebrate the disappearance of an especially bad outbreak. The sheep reared under such conditions weighed about 28 lb., and yielded 3 lb. to 4 lb. of wool. The "black sheep" of nursery fame committed an unpardonable exaggeration when it described its fleece as being capable of filling three bags—unless the bags were very small. The cattle were small and bony, and improved breeding was impossible. Further, the absence of any root crops for winter food made it necessary to kill the great bulk of the live stock when winter approached, and the nation existed on salt meat for a few months. Still, in spite of its bad economy, this system had satisfied men's primitive needs for centuries. The villager was often engaged in industry as a by-occupation, and from his two sources of income produced sufficient to supply his wants. No man was landless, for even the cottager had facilities for keeping a few animals on the common pasture. But the whole system, inert and unprogressive, must inevitably collapse when placed alongside better ideas or subjected to the pressure of new circumstances. These ideas and circumstances came in the 18th century, and with their arrival the old methods were at once doomed to disappear.

The Growth of Agricultural Science. During the 18th century experimental agriculture became fashionable. George III loved to be called the Farmer King, and many of the big landowners began to pay attention to their own estates. Walpole, while Prime Minister, always read the letters

from his farm steward before touching state documents. Townshend, bored with politics, abandoned public life and has come down in history as "Turnip" Townshend. Agricultural societies were formed, and books on farming sold well. Throughout the country experiments were the order of the day. Out of all this enthusiasm came important practical results. Townshend, for instance, showed that by proper cultivation turnips could be grown on the land which had formerly lain fallow. These not merely improved the soil, but provided a valuable winter food for cattle. Other investigators proved that the same results could be obtained by planting the fallow with clover and lucerne. As a result of these discoveries there need no longer be any idle land, nor need the cattle be decimated every autumn. Better drainage, deeper ploughing, hoeing, afforestation, new varieties of seed, and better rotation, all were investigated with highly satisfactory results, while new types of agricultural machinery were constantly being devised. Experiments in cattle-breeding gave miraculous returns. Sheep were increased in weight from 28 lb. to 80 lb., and their fleeces from 3 lb. to 12 lb.; the weight of the average cow was raised from 370 lb. to 800 lb., and most of this increase was in flesh, not in bone. All these discoveries pointed the way to increased production and profit. One enthusiastic landlord raised the annual value of his estate from £2,000 to £20,000 in 40 years, and the road to affluence was open to all who could tread it.

But what was the small open-field farmer to do with these new ideas? Generally he refused even to consider them. Slow, cautious, and hidebound, inheriting the ideas of his ancestors with their lands, he regarded the new-fangled notions with indifference or contempt. Some of them came from abroad, and were therefore anathema to the insular Briton. Others were urged by men who had failed at farming. What, for instance, could Arthur Young, who had failed twice, teach the experienced open-field cultivator? In some cases the small farmer was interested; but even assuming he had the necessary capital to effect improvements, what could he do? His freedom of action was limited at every turn by the conditions prevailing around him. Until he could get his arable and pasture land separated from that of his fellows no improvement was possible. To expect great improvements from the small farmers was, as one writer put it, as hopeless "as it would be to expect to gather pineapples from thistles." Hence came the first impetus to the destruction of the open-field system.

The second came from the industrial revolution, and the general growth in population. The former increased the demand for wool, the latter the demand (and price) for corn. The Napoleonic wars cut off some food imports, drove the country to depend on its own production, and pushed the price of wheat up to about 100/- a quarter. But the old system was incapable of coping with either of these needs. Meanwhile a third disruptive force was at work. Land at this time was the key to political power and social position. Votes, parliamentary power, and patronage went with land; local government was in the hands of the squires; and no man, however wealthy, could hope to be admitted to the inner circle of English society unless he was the owner of many broad acres. Therefore the rising class of manufacturers and merchants rushed to buy land, and these new brooms made a clean sweep of many agricultural antiquities. To the business mind farming must be made to pay higher profits and rents. It must become a commercial proposition.

Enclosures. The joint result of these combined forces was a boom of enclosures between 1760 and 1850. By enclosure we mean the abolition of all open fields and common spaces, and the allotment to each person of a definite area, fenced in, on which he can work entirely in accordance with his own ideas. Enclosures were essential if the land was to be fully utilized. They had to come, and yet they had grievous effects on many of the agricultural population. This was due partly to the manner in which they were carried out, and partly to the fact that the new style of farming required more capital than many small farmers possessed. Enclosure might take place by unanimous agreement among all the farmers, the landlord included. But as such unanimity was seldom possible, parliamentary assistance was sought in the form of a private act. Parliament in the 18th century was largely a landowners' club, with a sprinkling of commercial men. Its members believed in high farming; their creed was enlightened self-interest. Therefore the landlord who appealed for a private enclosure act was sure of a good reception, and between 1760 and 1845 4,200 acts were passed authorizing the enclosure of about 7,000,000 acres—*i.e.*, practically the whole of the remaining open fields and commons. Each act appointed commissioners—"a most precious piece of delegated despotism" (Young)—with full powers to survey and share out the estate. The commissioners heard claims from the villagers, but as they generally demanded legal proof of each man's rights, many claims which were purely the product of custom were repudiated. The cottagers, for instance, could often plead nothing but long custom as their right to use the common pasture; but as such a claim was usually rejected by the commissioners, or was met by compensation in money, the cottagers lost all access to wood, waste, or pasture. Henceforth to keep a cow was impossible for them. Others lost their holdings because of defects in their titles. Those who could prove their claims surrendered all their arable strips and common rights, and received in return a block of land, on which they had to grow crops, rear cattle, produce hay, and find firewood.

The exchange was often a bad one, since the compensation for the loss of common rights proved inadequate. Further, the cost of enclosing, fencing, road-making, etc., was heavy, and seems to have worked out at about £3 per acre. A man who received 50 acres of land in the redistribution had therefore to find £150. This probably meant borrowing money or mortgaging the land; and once that burden was on a man's back it might be difficult to remove. The loss of the right to get firewood was in itself a serious blow. If a farmer was a tenant, enclosure was followed by an increase in rent. Thus, to sum up, the cottager lost all but his cottage and small garden; the farmer lost facilities for pasture and firewood; the tenant had his rent raised; and yeoman was loaded with debt. True, the bigger farmers and wealthier men benefited, but it is grimly interesting to find Young, the arch-apostle of enclosure, admitting in 1801 that "by 19 enclosure bills in 20 (the poor) are injured." An eminent modern scholar has declared that "in every way, both directly and indirectly, enclosures tended to divorce the poor from the soil."

What were the victims to do? The cottager either became an agricultural labourer, earning a few shillings a week and leaning on the Poor Law to bring his income up to the bare subsistence level, or went away to find work in the industrial towns. The tenant had to abandon his farm unless he could pay the increased rents. The yeoman often sold his few acres and

became a large tenant, or left the countryside to find work in the cities. So began an extensive emigration from the land, and the town sucked in men whose ancestors had been farmers for centuries.

These developments enabled the landowners to press forward with the consolidation of small farms into big ones. At the same time estates were added to estates, until eventually, about 1870, 4,000 people owned more than half the land of England and Wales. The landlord let out this land in large blocks, sometimes equal to twenty or thirty of the old tenures, to tenant farmers, who provided their own capital, and worked the land with the aid of machinery and hired labourers—labourers whose only interest in land lay in their miserable weekly wage. Thus we get that rural trinity of landlord, farmer, and labourer, a combination which exists scarcely anywhere else.

Economic and Social Consequences. The economic consequences of the agricultural revolution were brilliant, the social consequences were disastrous. The new system, stimulated by science, high prices, capital, and the reclamation of waste lands, succeeded in coping for a time with the demand for foodstuffs. The technique of wheat-growing improved rapidly, and English agriculture became the envy of continental observers. But the social result, immediate and ultimate, was black. The new order was built up on the wrecked happiness of many poor, and the agricultural labourer sank to a level even below that of the factory worker. The agricultural revolution took from him his cow, just at a time when the industrial revolution was destroying his domestic industries. He revolted occasionally, and was ruthlessly suppressed. An investigation of 1843 found him working for a miserable wage, living in an over-crowded, tumble-down, one or two-storied cottage—capital got better returns from growing corn than building cottages—enjoying a diet of potatoes and bread, with meat as a very rare treat once a week. His wife went out to work for 8d. or 9d. a day. His children were sent to the fields at 8, 9, or 10 years, and picked stones, frightened birds, and did other odd jobs for 4d. to 6d. a day. The total family earnings might amount to 16/-, seldom more. Typhus was common, morals were rare, education was ignored.

Small Holdings. As these results, good and bad, became evident, even such zealots as Young and Sinclair realized that a rural system in which the labourer had no direct interest in the soil was bad. They therefore began, as early as 1801, to urge the claims of the cottager's cow, and advocated the reservation of cottage allotments in all future enclosures. But the wind which they themselves had done so much to raise was too strong, and so only about 2,000 acres (out of a total enclosed area of over 7,000,000 acres) were ear-marked for labourers' allotments up to 1868. During the discussions on reform during the eighties, the need for allotments or small holdings was urged. Jesse Collings' "three acres and a cow" ideal was attractive, for it was felt that not merely should the rural and urban workers be able to get access to land which they could work in their spare time, but also that England would benefit by securing a class of small peasant proprietors or tenants such as were found in most European countries.

Hence began a series of acts which aimed at providing allotments for spare-time work, and small holdings (up to 50 acres) for full-time work. These acts at first made little progress. The local bodies were slow to use the powers given them, the lack of compulsory purchase clauses was a

serious flaw, and the terms of purchase were too heavy. Above all, entail blocked the path, and kept much good land out of the market. The large estates built up in the earlier part of the century were kept large. Family pride decreed this, and the practice of entail ensured that the estate should remain unbroken in the family by compelling the heir in each generation, generally on his marriage, to settle the estate on the first male of the next (still unborn) generation. Hence many landowners—or, to be more precise, life tenants—might wish to sell part of their land, but were unable to do so because it was not their property, but that of their heir. To break the entail was difficult. In 1908 the laws were revised to overcome some of these defects. An unwilling local body could be driven to action by the Board of Agriculture; compulsory powers of purchase were granted, except for entailed land; and the Board of Agriculture set out on an active propaganda campaign. Better results were soon obtained. By 1912 120,000 tenants had secured allotments averaging a quarter-acre each; 130,000 acres had been let or sold to 9,000 small holders. By December, 1914, 47,000 applications had been made for small holdings amounting to nearly 800,000 acres. But all this touched little more than the fringe of the problem. The big estates were still tied up; much land which had passed out of cultivation in the agricultural depression of the eighties remained idle; and although rising prices, improved methods, specialization in dairying, fruit-growing and market gardening, and the extended use of machinery were making farming once more a profitable occupation, the country was in 1914 growing less than one-fifth of its corn requirements. Emigration had skimmed from rural England the cream of its population, and railway, banking, and state policy virtually ignored the needs of agriculture. To most Englishmen the countryside was a place to walk in on Sunday, a vista of possible golf courses, or a dreary stretch of land separating one town from the next.

Effects of the War. The war, and especially the submarine blockade, made the production of food as important as the production of munitions. The acreage under corn was increased, and in 1918 was higher than ever before in the history of British agriculture. The shortage of labour was partly overcome by the introduction of better machinery and tractors, and by employing war prisoners and women. By 1918 over 300,000 women were employed, whole or part time, on the land. The industrial population was urged to take up allotments, of which over 1,400,000 were being cultivated in 1918, in place of 570,000 in 1914. Unused or under-used land was requisitioned. Farmers were offered a guaranteed price for their corn, but the fixing of a maximum price deprived them of that incentive of scarcity high prices which was so powerful a factor in the Napoleonic War. Farm labourers had their wages regulated by wages boards. Agricultural education and research came into favour. Meanwhile, the pressure of the high cost of living and heavy taxation compelled many big landowners to cut up and sell their estates, some of which went into the hands of smaller farmers, some into the hands of the new-rich class of munition contractors. Thus the war affected rural England at almost every point. How deep or permanent these changes are remains to be seen.

Other European Countries. Continental Europe differs in its rural development from Britain in two important respects. (1) Peasant proprietorship prevails over vast areas, small tenancies are numerous, and the British division into landlord, large tenant farmer, and labourer is seldom found.

(2) Continental populations have remained far more agricultural than that of England. The latter country definitely decided in 1846 (when it repealed its Corn Laws) in favour of industry as against agriculture; national policy has been shaped with a view to fostering industry and commerce, and agriculture has been left to sink or swim. Hence at the outbreak of the war only 20 per cent. of the population was engaged in agriculture, and that percentage was steadily declining as rural depopulation became more marked. Nowhere else has agriculture been so abandoned. Even Germany, in spite of her industrial progress, stuck grimly to agriculture, and was therefore able in 1914 to supply 85 per cent. of her food requirements.

Germany. In Germany the peasant proprietor predominates almost everywhere. East of the Elbe—*i.e.*, in Prussia proper—some big estates exist, owned by the junkers, who usually work them, employing large numbers of labourers. But even in Prussia the junker's supremacy is being challenged. for about half the land is in the hands of peasant proprietors; and when one comes to west and south-western Germany the peasant owner is everywhere, especially in Bavaria. Nearly nine-tenths of the soil of Germany is cultivated by its owners; out of 5,750,000 holdings before the war, 5,000,000 were below 24 acres in extent, and of these the great bulk were worked by the owner, aided by his wife and family.

This large class of small owners is largely the result of 19th century legislation. In 1800 Germany, especially east of the Rhine, was still a feudal country. Most of her land belonged to military chieftains, and was worked by peasants, who were virtually the property of the landowner. In the dark days of 1807, Prussia, smarting under defeat by Napoleon, began to reform her internal life. One of the most important reforms, carried through by Stein and his successor, Hardenberg, was the emancipation of the serfs, and the transfer to them of two-thirds of the feudal lands. In western Germany feudalism was abolished and land sold at low prices by the victorious French, and especially by Napoleon. Thanks to these measures vast tracts of land came into the hands of the poor. For a time the peasantry stuck to old methods of cultivation, but gradually, under the influence of co-operation and education, the three-field system disappeared, and gave place to the most intensive cultivation of wheat, tobacco, and hops.

France. A somewhat similar state of affairs exists in France. Of 5,600,000 proprietors, 5,500,000 own less than 100 acres each, and the most common holding is only a few acres. One half of France belongs to its peasants, and one half the population is engaged in agriculture. The French system of to-day is partly the result of the French Revolution, followed by Napoleon's policy of fostering the growth of a peasant class. On the eve of the Revolution there were many small proprietors—and the number was growing—owning at least a quarter of the whole country. The rest was in the hands of the nobility and clergy, and was let out to tenants on conditions which at the best resembled Australian share farming, and at the worst harsh serfdom. The landlords were absentees; they did nothing to foster better agricultural methods, and squandered, amid the gaieties of Paris, the heavy rents paid by their tenants. In addition to claiming rents, the landlord held a monopoly over milling, and compelled the peasants to grind their corn at his mill. The landowner retained the right to keep game, which often devastated the peasants' crops, and the right to hunt over the tenant's land. The vices of feudalism remained in France; the virtues were gone. With

the Revolution these grievances were removed, and the land of the church and the nobility passed to a great extent to the peasantry. Napoleon recognized the value of a contented peasantry, and therefore did everything possible for the welfare of the small man. Hence, although Napoleon fell the land system remained, and the peasants own twice as much land as they did in 1789.

There is one unique feature in the French system. The Revolution abolished primogeniture and entail, and these prohibitions have lasted. Instead, therefore, of the whole of an estate going to the eldest son, it must be shared out equally among all the children, male and female alike. There is one slight reservation: if a man has one child, he can do as he pleases with half the estate, but the other half must go to the child; if two children, one-third is at his disposal; if three or more children, one-quarter. With this one possible modification, equal distribution amongst the heirs and heiresses is compulsory. The results of this system can be easily seen. Every child has a direct interest in his father's estate. Big holdings are eventually cut up into small ones; but after a few generations the unit may be so small that any further subdivision will give an area too small to provide a living. This state of affairs was reached by about 1880, and is partly responsible for the stationary size of the population since that date. In 1886 there were over 38,000,000 people in France. During the next 10 years the increase was only 30,000, and in 1911 the total stood at 39,600,000.

Russia. Russia is pre-eminently an agricultural country, with 85 per cent. of its population dependent upon the soil for a livelihood. Its peasants form probably the largest body of small proprietors in the world. A century ago millions of the people were serfs, bound to the land on which they were born, and to the person who owned it. They were forbidden to leave their village in search of employment elsewhere, and when an estate changed hands its inhabitants were bought along with the land. In return for two or three days' work each week on the landlord's farm they were allowed to rent a few acres for themselves. Then gradually a few more enlightened landlords began to free their serfs, and the famous edict of 1861 abolished serfdom throughout the Empire. By this decree two things were accomplished. (1) Twenty-five million serfs became free men, free to move about the country as they pleased. (2) These free men were enabled to become peasant proprietors. This was accomplished by the Government purchasing about one-third of the nobles' land (350,000,000 acres), which was then sold on a 49 years' instalment plan to the village communities—the mirs. Communal life is strong amongst the Russian peasantry, and the mir was the unit. The mir received the land from the government, and was made responsible for the regular payment of the instalments, which it collected from the peasants. It then shared out the land among its members—*i.e.*, all the villagers, in proportion to the size of each household. This gave to each family about 10 acres of arable, with common rights of pasture. Every 12 years the land was resumed by the mir, and redistributed in accordance with the increased population of the village. The plan did not work very well. Most peasants obtained less land after emancipation than before, and with the rapid growth of population the share obtained by each household became too small to provide a livelihood for its cultivators. Instalments were not paid when due. Faulty administration caused discontent. In 1905, therefore, the peasantry joined in the revolution, not because they believed in

democratic government or free speech, but because they wanted more land and release from further payments for the old land. Both these aims were achieved, and 25 per cent. of the land still held by the big landlords was handed over to the peasantry. This still left the average holdings too small, while considerable tracts of territory remained in the hands of the government, the royal family, and the nobility.

For many years before the revolutions of 1917 the government encouraged the break-up of the communal system and the conversion of the peasant's share in the communal land into private property. This was done partly on the plea that the progressive farmer would thereby be freed from the restraints imposed by communal control, and partly because the communes seemed to be good breeding-grounds for revolutionary sentiments, while peasant proprietors were notoriously conservative. Hence the mirs lost ground more and more, and the principle of private ownership spread over a wider field. This made possible the growth of grades among the peasants: some men built up large holdings, others stood still, and others sold out their land—or were sold out—and became wage-labourers. This division into rich, middling, and poor peasants had an important bearing on state policy after the 1917 revolutions.

The peasants supported, or accepted, these revolutions partly because they were war-weary, partly because they were land-hungry. After the March upheaval peasants in many places seized the land of the ex-governing class, and one of the first acts of the Bolshevik government was to abolish private property in land. The complete enforcement of this decree would have expropriated small as well as large owners, an act which was too big to accomplish at once, and altogether impolitic if the small men were to be kept quiet. A compromise was therefore inevitable. Some big estates were kept intact and worked as state farms; others were handed over to groups of workers drawn from the city and country wage-earners, and by the end of 1919 there were over 6,000 of these communes. The rest was given conditionally to the poor peasants—*i.e.*, those who had formerly been labourers or had owned only small blocks worked by themselves. The rich peasants were regarded as enemies of the revolution; they therefore got very little more land, and might be deprived of what they had; in their capacity as employers of labour they were disfranchised. Thus the result—perhaps the chief result—of the revolution was to transfer a still larger proportion of Russia to the poor. In Bolshevik theory the peasant held this land in trust, only so long as he worked it; he could bequeath it to his son if the son would cultivate it properly; and he must sell his surplus produce to the state. This theory however soon broke down; the state had very few manufactured goods to give in exchange for the food, and the price fixed for rural produce was regarded by the peasants as too low. Hence the farmers produced no surplus, or hoarded it, or illicitly sold it to private buyers. Eventually, therefore, in early 1921, the government was compelled to recognize free trade in farm products, and, in effect, to abandon its whole plan of land control.

In all this account of Russian agriculture it must be remembered that the country has not yet had its agricultural revolution. Scientific farming is almost unknown, lack of manure and machinery is acute, and methods of cultivation are medieval. Education is in its infancy, means of transit are poor, the standard of life is low.

Other Countries. What has been said above concerning the prevalence of small farms in France and Germany applies also to most other European countries. Denmark and Holland have for long made it a cardinal point of statecraft to protect the small farmer. Belgium before the war was essentially a land of small farms. One in every ten persons owned land, and of the holdings 95 per cent. were less than 25 acres. The Belgian small cultivator was often an industrial worker as well. He was able to live out in the country, thanks to a scheme of very cheap workmen's season tickets, which made it possible to travel 15 or 20 miles in to work each day almost as cheaply as to travel three or four miles. Hence in slack times he could work on the land attached to his cottage. No country had done so much as Belgium to prevent urban congestion, and every available square yard of her territory was under the most intensive cultivation. In Italy the big estates are gradually being broken up, as Italians return with full pockets from America and buy small holdings. Meanwhile a share system of tenure is very common. The landlord lets a farm to a tenant, and provides everything but the labour. Then at the end of the year one-half of the produce goes to the landlord, the other half to the tenant. By this system, known as métayage, the landlord shares the blessings of good years and suffers equally with his tenants in bad times.

In many parts of Central and South-Eastern Europe, especially Hungary and Roumania, large feudal estates survived in 1914. The Hungarian "red" revolution of early 1919 resulted in the transfer of land to about 1,000,000 peasants, and in nearly all the Central European states reform, revolution, or the sheer pressure of economic necessity strengthened the peasant proprietor class in numbers, in economic power, and in political consciousness. The breakdown of the European industrial and commercial system after 1918 made whole countries dependent on the producer of foodstuffs, and may make him the dominant factor in European politics during the next decade.

The Irish land-workers' desire for land-ownership was partly satisfied by the legislative provision after 1880 of facilities which enabled the British government to buy large estates in Ireland and sell them in small blocks on an instalment purchase system. Thanks to the operation of the Land Purchase Acts a large area of Ireland has become the property of those who cultivate it. In Asia we find similar conditions. Japan abolished feudalism in 1871, and most of her farmers to-day own the one to four acres on which they grow their rice, tea, and silk. Japan is a nation of very small peasant proprietors, who by dint of incessant hard work have carved a scanty living out of the mountain slopes. In China the holding is more like a garden, especially in the thickly-populated parts, and is cultivated with almost incredible minuteness.

Faults of Peasant Proprietorship. Arthur Young once declared that property turns sand into gold; but experience in the countries reviewed above shows that Young was too optimistic. Success for the small farmer depends upon many things, and failure is easily achieved. Thus the peasants in the above countries are often very backward in their methods. The greatest curse of the small man is his lack of capital or reserve. This makes it impossible for him to try experiments, buy the latest machinery, or build a decent home. He lives from hand to mouth, and a bad year means ruin or a mortgage. Often the subdivision of small holdings leaves a man with

an area so minute that even with incessant toil he cannot produce sufficient to live on. These obstacles can be, and often are, overcome by education, voluntary co-operation, and state assistance. If the small man is to succeed he must know the latest devices in agriculture, and be able to take advantage of them. Agricultural education does the first, and the success of Holland, Denmark, and Western Germany is due largely to the splendid organization of agricultural education. But what is the use of up-to-date knowledge if one has not the capital with which to take advantage of that knowledge? Here co-operation has stepped in, and the manifold varieties of agricultural co-operative societies have enabled the peasant to buy in bulk, to use the best methods and machinery, to draw on the rural bank for his capital, and to sell his produce to the best advantage. (See Chapter XXVII.) Finally the state, by providing good roads, railways, canals, and cheap freights, enables the small man to get his goods to the market cheaply and quickly. Belgium, with her canals and light railways; Germany, with her canals and navigable rivers; Russia, with her daily butter train, which used to bring 500 tons every trip from the heart of Siberia—all opened the way to prosperity for their peasant owners. The success of which small owners are capable, when assisted by education, co-operation, and the state, manifested itself in the efficiency with which the agriculture of Germany was able to defy the British blockade during the war; and every European nation is agreed that the peasant proprietor class must be preserved at all costs.

The Exploitation of New Countries. The chief new areas which have been called into service to meet the wants of mankind are America and Australasia. When the United States established its independence in 1783, its 4,000,000 people were nearly all living near the eastern seaboard. Gradually, with the discovery of the vast plains of the Mississippi basin, population began to flow westward. Gold took men to California (1848), and the construction of transcontinental lines had opened up most of the country by 1880. The Americans quickly devised effective means for producing and selling grain and cattle to the best advantage, and elaborate machinery and the elevator became part and parcel of American agriculture. The rapid progress of farming was due to the adoption of modern methods, scientific work, irrigation, agricultural education, and also to the fact that the country drew its rural population from the best European stock. The desirable immigrant was eagerly welcomed, and by the Homestead Act of 1862 was given 160 acres free on condition that he lived and worked on them for five years. This scheme attracted a high class of settler, who took his 160 acres and worked thereon, aided by his family and labour-saving machinery. Hence the average size of farms in America to-day is about 160 acres. For many years America exported vast quantities of wheat and meat, but with the rapid growth of her population all her produce was needed for home consumption. As most of her land is now occupied, the American farmer is compelled to turn from extensive to intensive culture in order to increase the yield from his soil. The wasteful methods of the past are being abandoned, and under the leadership of the government and the agricultural colleges America is finding a way to conserve her resources to the utmost. Afforestation, irrigation, artificial manures, intensive culture, dry farming, are now the order of the day in the United States. The problem of the emancipated negro is still unsolved, but with better educational facilities the negro is being more fitted for independent work in cotton production, and

the present century may see the creation of a race of negro peasant proprietors in the Southern States.

Meanwhile, the Argentine has been called upon to do her bit. Like Australia a land of vast possibilities, she quickly attracted European settlers and capital. The country was gradually covered with a network of railways, wheat-growing became a staple industry, and since the discovery of refrigerating possibilities the cattle trade has made immense progress. Unfortunately, in her development the Argentine looked little to the future. She gave away her best lands in big blocks, and estates of 150 square miles are common. The "eyes" of the country were speedily picked out, and the poor immigrant who goes there to-day has little chance of obtaining good land cheap or becoming an independent farmer. The Argentine has paid a big price for her development, and now finds herself faced with a mass of big landed proprietors, who strenuously resist any attempt to find room for the smaller man. The Argentine to-day is in the grip of the worst form of landed plutocracy.

Books Recommended. Ashley, W. J., "Economic Organization of England," chap. 6; Prothero, R. E., "English Farming, Past and Present"; Johnson, A. H., "Disappearance of the Small Landowner"; Levy, H., "Large and Small Holdings"; Dawson, W. H., "Evolution of Modern Germany," chaps. 12-14; Ogg, F., "Economic Development of Modern Europe"; Baring, M., "Mainsprings of Russia"; Leroy-Beaulieu, P., "United States in 20th Century"; Hammond, J. L. and B., "The Village Labourer"; Clapham, J. H., "Economic Development of France and Germany."

CHAPTER III.

LAND SETTLEMENT, LEGISLATION, AND TENURE IN AUSTRALIA.

THE key to most of Australian history is the land, its exploration, use and tenure. The vast empty spaces have drawn population here; the produce of the soil has helped to build up our export trade and supply the wants of mankind; droughts, pests, and diseases have provided our scientists and engineers with big problems; the devising of satisfactory land laws has confronted governments with a difficult task. Our agrarian history falls under two headings—the use of the land and the system of land tenure. Let us begin with the former.

The Pastoral Age. When the first settlement was made in 1788 there was no intention of developing a big export trade in agricultural produce. So long as the land around Sydney supplied the wants of that community and freed the colony from dependence on food-ships from overseas, little more was expected. But this policy became insufficient when the extent and possibilities of the country began to be realized. Macarthur's sheep and the discoveries of the early explorers opened the way for bigger things. On the one hand was the land, on the other a possible occupant, and so from 1800 for at least half-a-century wool was king. All the circumstances combined to favour a pastoral policy. Wool was wanted in unlimited quantities for the new power-looms of Yorkshire. It was the easiest commodity to produce; the climate was suitable, the food supply adequate, and little labour was required. Therefore Macarthur's highly successful breeding experiments from 1794 onwards laid the foundations of our first great industry. In 1807 245 lb. of wool were sent to England; in 1912, 621,000,000 lb. left Australian ports. The ready market for wool soon diverted agriculturists from all other occupations. Wheat-growing was neglected in New South Wales, and Tasmania for a time became the granary of Australia. Olives, vines, flax, all were left aside; even cattle-rearing received scant attention. Wool ruled the country, shaped the land laws, fashioned society, determined men's occupations. By 1850 there were nearly 16,000,000 sheep in the continent, but so little land was cultivated that flour had to be imported.

The gold discoveries caused temporary dislocation, and brought permanent changes into rural life. For a time the scarcity of labour caused a reduction in the number of sheep and in the area under crops. But on the other hand the big increase in population expanded the demand for meat and wheat, and when the gold era ended (about 1864) many of the ex-miners turned to the land for a living. Wool still remained king, and the 20,000,000 sheep of 1860 had increased to 93,000,000 by 1911. So important had the clip become that instead of being sent to London for sale, it began to pass under the auctioneer's hammer in Australia, and buyers from all parts of the world came here to make their bids. In 1913 nearly 90 per cent. was sold locally before export, and in 1920 the local wool sales were revived.

Diversity of Production. After 1860 the supremacy of wool was challenged. The character and extent of our rural production depends on

three things—the size of the home market, the overseas demand, and the facilities for export. The industrial expansion of Europe produced the demand for wool. It also created a vast demand for meat, but until refrigeration became commercially possible in 1882 that demand could not be met from Australia. To Australasia and the Argentine refrigeration was a godsend, for henceforth meat, butter, and fruit could be sent a six weeks' journey across the Equator and arrive in Europe in an edible condition. Hence new big land industries were possible. The number of cattle rose from 4,000,000 in 1860 to three times that number in 1914, Queensland grew up as a cattle state, and the export of meat trebled between 1905 and 1912. Dairy farming grew popular, especially in the southern areas after 1880, while orcharding and wine production found widespread favour.

More important still was the development of agriculture. In 1848 less than 400,000 acres were being tilled; by 1871 2,350,000 acres were under the plough, and by 1916 nearly 17,000,000. This expansion was due chiefly to the rise of wheat-farming, which gradually occupied more and more of the area of the south-eastern states, and pushed the zone of cultivation into regions once regarded as the permanent preserve of sheep. The coastal belt of Queensland became a sugar plantation, while, hay, potatoes, and other crops were profitably cultivated elsewhere. Thus Australia no longer has all her eggs in one basket, and her primary products are capable of meeting practically all local requirements, with a substantial surplus for export.

Pests and Problems. The trials of the early settlers, due largely to the blacks, bushrangers, and native animals, gradually passed away, and gave place to others no less serious. Every branch of rural production has its pests. Cattle tick, nodule worms, and tuberculosis cost Queensland alone £8,000,000 a year in cattle losses. Blowflies and footrot take heavy toll, rabbits devour vast areas of grass, etc., the prickly pear spreads over a million new acres every year. The wheat farmer has to face rust, the vigneron phylloxera, the orchardist bitter pit or codlin moth, the potato grower Irish blight. All these pests have been imported; they call for more scientific research and for energetic collaboration between the scientists and the rural producers.

The arable farmer has had two special problems to cope with. How could he counteract the scarcity and high cost of labour, and how renew the strength of the soil? The early farmers answered the first question by adopting a two-field system of alternating crop and fallow, but even then the ground became exhausted. In the nineties hard proof converted them to Mr. Lowrie's gospel of superphosphates, and to-day the application of "super" to wheat land is general. Crop rotations gradually became better understood, and the investigations of Farrer and Marshall led to the production of wheats which were more prolific, held the grain more firmly in the ear, and were rust-proof.

The scarcity and high cost of labour was partly overcome by the invention of agricultural machinery. The stripper-harvester made by John Ridley, an Adelaide mechanic, in 1842, enabled ten to twelve acres to be reaped in one day by one man, and reduced the cost of harvesting by three-fourths. Vast improvements have since been made, and the modern Australian machine, which strips, threshes, cleans, and bags, is well known across the Pacific. Local conditions have also been responsible for the invention of the stump-jump and other ingenious ploughs.

The most valuable recent developments are the efforts made to overcome climatic effects. The land of Australia can be divided into two classes. (1) Land which has a sufficient rainfall in good years, but is liable to periodical droughts; (2) land which even in good years has an insufficient rainfall or an excessive evaporation. For a long time nothing was done to improve the first class: the droughts were accepted as a natural order, for which Providence compensated by sending superabundance in the following year. The second class was called "desert"; it was neglected, or used for a few sheep. This passive acquiescence began to be abandoned about 30 years ago, and every recent drought has stirred men to make better provision against the next. Hence the formulation of irrigation schemes, the borings for artesian water, and the development of "dry farming." Irrigation, which has become a partner of closer settlement, began with Mildura (Vic.) in 1887, and in spite of initial misfortune caused by faulty equipment and salty soil this colony grew steadily, until in 1916 a population of over 6,000 was living on 12,000 acres, and producing fruits to the annual value of £680,000. Other places were similarly treated, and to-day over 20,000 square miles in Victoria are artificially supplied with water. Renmark (S.A.) began in 1893, and the 5,200 acres which then would scarcely sustain 500 sheep, now hold a population of over 3,000. The terrible drought of 1902-3 gave a strong impetus to irrigation, and the big scheme for the Murrumbidgee area was decided upon in 1908. This plan, when carried out, will make available sufficient water for 1,000 square miles, and provide land for over 50,000 people. In Tasmania irrigation and hydro-electricity will probably work in conjunction, while the Murray River is at long last being more thoroughly dealt with in order to irrigate large new areas, estimated at 3,000,000 acres, now of little use. Meanwhile the value of reafforestation is being recognized, and increased plantations may do much in some parts to prevent erosion and check evaporation.

But irrigation is impossible in those enormous tracts of Central Australia where rainfall is slight and rivers virtually non-existent. Here it was soon discovered that some water could be obtained from subterranean sources, and in 1879 the first artesian bore was made in New South Wales. Others quickly followed, and up to the present about 4,000 bores have been sunk, of which two-thirds are in Queensland. The deepest bore goes to 5,000 ft., and the biggest yield for one well is 4,500,000 gallons per day. Artesian work has not always proved successful, for many bores have failed to draw water, while in other cases the water is so heavily charged with chemicals as to be useless. Still, the artesian well has been a great boon, and along with irrigation has increased the area of "safe" lands and reduced the terrors of drought.

The Tropical North. The treatment of the tropical north is the least successful feature of Australian settlement. Climatic conditions, the scarcity of labour, the absence of means of transit, and the preoccupation of development work further south, all are responsible for the neglect of the north. For nearly fifty years (1863-1910) the Northern Territory was in the hands of South Australia, but proved too big a problem for an already busy state to solve. A railway was constructed and much experimental work done; low rents, easy entry and cheap land were offered, but all with little result. In 1911 there were only 1,370 Europeans in the whole Territory, and the land lay practically idle. The transference of control to the Federal

Government (1911) made little difference to the rate of progress. The number of live stock increased very slowly; the white population grew by only a few hundred between 1911 and 1920; mining stagnated; immigration was largely cancelled by emigration; the whole political and economic history is unspeakably depressing, and the Territory is to-day more than ever a most perplexing tropical white elephant.

The History of Land Legislation and Tenure. The tangled story of Australian land tenure can be divided into four periods. (1) Crown grants and free gifts; (2) land sales and pastoral leases; (3) selection before survey; (4) experimental reform. The problems which have been faced in recent years are partly the result of early economic history, when the land was regarded as a pastoral area alone; they are also due to early legislative and administrative errors or omissions, to bad laws or no laws. The free grants tied up some of the best land; the influence of the early landowners' parliaments made for big estates, while at the same time the need to attract population to Australia necessitated a generosity which, though justifiable at the time, sowed the seed for future trouble.

Free Grants (1788–1831). The early governors were given power to make free grants to such as wished to settle in Australia. At first only small areas were given away to each person, but much larger grants were soon allowed. Macarthur got 5,000 acres, the Australian Agricultural Company 1,000,000 acres, the Van Diemen's Land Company 400,000 acres, while the settlement at the Swan River (1829) was killed at birth by allowing large tracts at Fremantle and Perth to go into the hands of a few men. In Tasmania, as in New South Wales, the power of the Governor to make free grants was often abused; favouritism was rampant, and the friends and subordinates of the Governor obtained big areas, although they had no intention of settling thereon. During this first era of land distribution over 3,000,000 acres were given away; of these, the great bulk were in large holdings, for which the prescribed small quit rents were seldom paid; but though the alienations increased fivefold between 1820-30 the population grew only 50 per cent.

Land Sales and Pastoral Leases (1831–1861). While the free grants were causing little development and bringing less revenue, a body of men in England was working out a theory of colonization. Of these men, the chief was Edward Gibbon Wakefield, whose "Letters from Sydney," really written in Newgate Gaol, began a revolution in colonial land policy. Wakefield declared with truth that the free-grants system had failed, in that it provided no labour supply, except convicts, and gave no funds for public works. He, therefore, urged that henceforth land should be sold at a "sufficient price," and the proceeds devoted to public works and the immigration of agricultural labourers. The price was to be so high that labourers would be unable to buy the land until they had worked some years in the colony; at the same time every sale of land would mean more money for roads and a steady influx of labour. By careful choice of the labourers the colony would get quality as well as quantity, and as the wage-earners in turn saved sufficient to buy land their purchase-money would bring out others in their place. Although never applied exactly as Wakefield wished, his ideas formed the basis of the new land policy. Land sales had been made since 1825, and in 1831 it was decreed that free gifts should be abolished. Henceforth all land must be sold by auction at an upset price of 5/- per acre.

This minimum price was raised later to 12/-, and in 1842 to £1. Of the fund thus provided, at least half was devoted to assisting immigration, and under this arrangement thousands of labourers were brought to Australia. Wakefield's theory was also responsible for the settlement of South Australia and New Zealand, but owing to deviations from his plan, and an outburst of speculative land dealing among the early arrivals, these new colonies had a chequered career at first.

Meanwhile a new problem had to be faced—the squatter. At first those pastoralists who did not wish to buy land took their flocks westward and found "feed" on the unoccupied crown lands. By 1830 many of these men were squatting in this manner, refusing to buy a holding and paying nothing for the benefits they were enjoying. As wool was now the staple export, it would be unwise to attempt to suppress the squatter. In 1836, therefore, the pastoral areas were cut up into runs, and licences to use them were granted at an annual fee of £10 per run. In 1847 an Order-in-Council improved the squatters' position by allowing leases for one year in the settled areas, eight years in the middle districts, and fourteen years in the backblocks, with the first right to buy any part of the lease at £1 per acre. This arrangement gave the squatters fixity of tenure and pre-emptive rights; it played completely into their hands. They bought up the "eyes" of their runs—*i.e.*, the water places, fords, etc.—and thus made the surrounding land useless to any but themselves. This was often done, and hence, when the diggers left the exhausted goldfields and looked for land on which to settle, they found the best land had been either given away, sold, or leased to men who had bought out the "eyes." This was especially the case in New South Wales. In Victoria and South Australia the 1847 Order was not utilized. Many diggers wanted land for arable purposes, but as no classification of lands had been made much good wheat land, along with the land near roads, railways, and towns, was under pasture. Out of this situation came the third era.

Selection Before Survey (1861–1893). The first event in the struggle between squatter and selector was Robertson's Act of 1861, which abolished the pre-emptive right of the leaseholder to buy any part of his run. Henceforth any man might pick a piece of a pastoral leasehold at the end of the lease, reside there, make small improvements, and pay off the £1 per acre in small instalments. This Act, which was copied by most other states, aimed at creating a class of peasant proprietors; but it failed completely, and did harm rather than good. The squatter, borrowing from the banks, bought out the good bits as before, and in one case 258,000 acres were secured by buying 700 forty-acre blocks in different parts of the holding. When the bank would not lend, the squatter persuaded someone to play "dummy" for him, acquire the good patches, and subsequently hand them over to him. Some independent buyers took land, not for settlement, but to blackmail the invaded squatter to buy them out. Speculation was rife, fraud and deceit were the rule; very few patches were really farmed, and out of 60,000 applications in 22 years two-thirds were failures or dummies. As a means of land development the new method failed badly, and really helped to build up bigger holdings than ever. In 30 years 50,000,000 acres were alienated; yet the rural population of New South Wales increased by only 200,000, and the cultivated area by less than 600,000 acres. The towns grew, the country languished. By 1890, therefore, the situation was most unsatisfactory, and called for a thorough revision of the whole land policy.

Recent Experiments and Reform. This revision was influenced by both economic and political factors. The Labor Party was naturally hostile to the big landowner, and believed in small holdings, preferably owned by the state and let to peasant tenants. Orcharding, dairy farming, irrigation, etc., all needed small areas of suitable land, and some of that suitable land was in big pastoral holdings. Three main lines of policy can therefore be traced.

(1) Land must be utilized in the most advantageous manner, and regions capable of cultivation must not be locked up as pasturage. This involves a survey and classification of all unalienated land; the classification vitally affects the conditions under which any piece of land may be secured, the kind of tenure, the use to which it may be put, the price per acre, the length of lease, the liability to invasion for settlement or resumption, and so on. For instance, land classified as first-class agricultural may be sold in small blocks; cattle land may some day be wanted for cultivation, and so is only let in large blocks for a fixed number of years.

(2) The ideal of a big rural population settled on holdings which are not too large to be fully worked or too small to provide a comfortable living is sought in two ways:—(a) By selling suitable crown lands in blocks of limited size, (b) by buying back large estates and cutting them up for closer settlement. In some cases these old and new holdings are put up for auction, but the small man is more frequently attracted by the possibility of conditional purchase. He pays a deposit, lives and works on his plot for a specified period, and completes his purchase by paying instalments for about thirty years.

Resumption for closer settlement began in New South Wales in 1901, and has been practised in every state. The area of suitable crown land was small, so big estates had to be bought back in order to provide plots for small farmers. The power to resume land compulsorily was obtained by New South Wales in 1904, and is possessed by most states to-day. By the middle of 1918 3,500,000 acres had been resumed, and over 12,500 holdings established. The policy received a great impetus when the various governments began to buy estates on which to settle returned soldiers.

(3) The influence of Henry George and of the advocates of land nationalization is visible at many points. The Labour Party has always opposed any further alienation of crown lands and favoured perpetual leases. In 1916 Queensland discontinued granting freehold entirely, and all states except West Australia and Tasmania have perpetual leases in existence. In some cases the rent of these leases is re-assessed periodically, so as to make the holder pay a little for any increase in the value of his property in consequence of the growth or efforts of the community—*e.g.*, by the provision of roads, railways, etc. Land taxation has the same aim.

Land Taxation. In spite of the experiments of twenty years, the big estates were still numerous in 1910. In that year 13,387 men, of whom 2,171 were absentees, owned estates whose unimproved value was over £5,000, their total unimproved value amounting to £178,000,000. Of this land, a considerable proportion was not being used to the fullest capacity. To break up these big estates, or at least to compel the owners to put them to better use, taxation was urged. The idea was by no means new, for the single-tax, with double rates on unimproved land, had been urged by Melville, a Hobart journalist, as early as 1836. The theories of Henry

George found many supporters in Australia, and in 1884 South Australia, the pioneer in many land reforms, levied a tax on the unimproved value of land—*i.e.*, the real value less the value of improvements. Other states followed this example sooner or later. But the big estate still survived, though in places the weight of taxation induced men to put the better parts of their land to greater use. In 1910 the Federal election was fought on the land question, and the return of the Labour Party was followed by the passing of the Federal Land Tax Act. This measure had a double purpose: firstly, to raise revenue to help defray the cost of defence and social reforms; secondly, to break up, or bring into cultivation, the big estates. To this end, a graded land tax, rising from 1d. to 6d. in the £, was imposed on all estates whose unimproved value was above £5,000, with an extra 1d. on the property of absentees. This tax is now yielding over £2,000,000 each year, and has had some effect in causing the break-up of large holdings. At times the disruption is purely artificial, and is carried out to evade taxation, whilst really keeping the estate together. Still, on the whole, in spite of an occasional battle of wits between landlord and tax-gatherer, the pressure of the land tax has been sufficiently great to compel owners of land which is too good for extensive pasture to divide and sell their holdings.

Books Recommended. Jose, W. A., "History of Australasia," chaps. 5, 12, and 16; Mills, R. C., "The Colonization of Australia"; Wise, B. R., "The Commonwealth of Australia"; Commonwealth Year Book, chapter on Land Tenure and Settlement; Collier, J., "Pastoral Age in Australasia"; Federal Land Tax Commissioner's Annual Reports; Atkinson, M., "Australia: Economic and Political Studies," chaps. 8 and 9.

CHAPTER IV.

THE INDUSTRIAL REVOLUTION.

Side by side with the agricultural revolution described in Chapter II there was carried out an industrial and commercial revolution. Its first and most important phases took place in Britain, and helped to give that country a century's industrial and commercial supremacy. Its outstanding features were the invention of machinery, the discovery of improved methods of treating metals and using coal, the harnessing of non-manual power, and the application of science. These four things—machinery, metal, power, and science—are the foundations of modern industrial technique. They dominate and make possible the vast volume of production; they have abolished distance, and established speedy communication; they have made the nations of the world dependent on each other for the satisfaction of their wants. At many points the scientist and investigator have been the leaders of technical progress, though many of the 18th century inventors were untutored workmen or interested onlookers. But this immense revolution created as many problems as it solved. The blunders of the transition period left a legacy of social evils; the economic system which emerged to take advantage of the new methods raised in an acute form problems of employment and distribution, and while mankind as a whole benefited by the increased production of wealth the growing democratic sentiment chafed at the autocracy of capital in the new regime and the economic inequality which persisted in spite of political equality.

Phases of the Revolution. The Industrial Revolution can be divided into three stages:—(1) The period of beginnings (1730-1830), marked by the discovery of infinite uses for coal and iron, the invention of the first machines, improvements in land and water communications, and the consequent transformation from old to new forms of industrial organization. (2) 1830-1880, the period of mechanical progress, due to improvements on, and applications of, the discoveries and inventions of the first period, the coming of the railway, steamship, and telegraph, the use of steel in place of iron, and the beginnings of applied science. (3) The age of science (1880 to the present day), marked by the careful scientific investigation of economic problems, and the consequent extension of electricity, automatic machine production, utilization of waste products, economizing of fuel, the tapping of new power sources, and scientific management. These developments were all accelerated by the war.

The Coming of Machinery. The beginnings of modern invention were due to the pressure of demand upon supply. Necessity is really the mother of invention. The growth of trade and population during the 18th century caused an increased demand for cloth. The slow methods of hand-loom weaving were incapable of coping with this growing demand until the invention of the flying shuttle by Kay (1733) accelerated the rate of weaving. As this shuttle was adopted, the spinners, working on the old distaff or spinning-wheel, were unable to keep pace with the weaver's demand for yarn. Hence the next inventions dealt with spinning, and the machines

made by Hargreaves, Arkwright, and Crompton (1767-1779) enabled 20, 30, and even more threads to be spun where formerly only one was produced. This resulted in the manufacture of more yarn than the weavers could use, and therefore weaving must be speeded up. Hence came Cartwright's power loom (1785), which when driven by water or steam enabled weaving to be done nearly twice as quickly as before. These inventions were only the beginning, but they showed the great possibilities which lay ahead. By 1800 thirty-five people were able to prepare as much yarn as had been produced fifteen years before by 1,600 workers, and as subsequent improvements were made and new machines devised the output of cloth per worker steadily increased.

Machine production gradually flowed over into other industries. About 1800 a device was invented by which woollen rags, tailors' clippings, and waste wool could be torn up into a fluffy mass, which was then spun and woven into cloth, called shoddy, and which, because of its origin, could be sold at a very cheap price. Frames for knitting stockings were gradually brought to perfection. The invention of the sewing machine by an American, Elias Lowe (1846), revolutionized the making of clothes, and the ready-made clothing industry grew to great size, with hundreds of sewing machines working under one roof. A similar type of machine entered the bootmaking trade, and when supplemented by leather-cutting and other machines created the modern highly-specialized boot factory. Meanwhile machinery invaded the metal trades; lathes and cutting machines grew in complexity, and to-day every kind of metal work—drilling, turning, screw-making, motor work, "hand-beating" of vases, etc.—is done by machines, some of which are so automatic and perfect that human attention is almost superfluous. Of the linotype, the typewriter, the calculating machine, mention only need be made. They illustrate the universal tendency to pass from the hand to the mechanical stage; human skill, with its possible inaccuracies and fluctuations, has been largely replaced by the scientific accuracy of the machine. The worker no longer needs the high degree of training formerly required: he is becoming a machine-tender, a semi-passive onlooker whose functions are chiefly feeding, starting, watching, and stopping the machine.

The Advent of Power. The coming of machinery created a new problem, that of power. Human strength was inadequate for working the cumbrous new devices, and therefore some other source of power must be tapped. Wind had long been used, cattle also; then came water-power, and the water-wheel became very popular in the 18th century. But water soon gave place to steam. The possibilities of steam had been known in the 17th century, and in 1710 a number of engines of a primitive type were being employed to pump water out of mines. In 1763 James Watt, when repairing a model of one of these early engines, thought out several vital improvements, and within 20 years the successful steam engine was in widespread use. By 1781 English manufacturers were "steam mill mad." Wherever possible the engine became the staple source of power, although water wheels survived for decades in the river valleys.

Iron and Steel. But steam engines and machines cannot be made of wood. Iron was needed, and with iron went coal. Up to about 1740 the industrial use of coal had been small. The staple fuel was wood, but the steady exploitation of the forests had rendered wood very scarce by that date. Since iron was smelted by means of charcoal, the process was costly. Hence

the iron deposits of England remained practically untouched. In 1735, however, it was discovered that coke would serve excellently as a fuel, and from that time onward both coal and iron were eagerly sought for. At first little but cast-iron was produced, but as it was very brittle, experiments were made, as a result of which wrought or malleable iron could be obtained cheaply and in quantities, while at the same time rollers for making rails and plates were invented. Under the influence of the new knowledge the iron industry made phenomenal progress, meeting the demands of machine and engine makers, and, later, railway and ship builders. Coal mining grew at a similar pace, and the invention of the safety lamp by Davy in 1815 rendered the occupation much safer. But iron had still bigger changes ahead. In 1856 Sir Henry Bessemer showed how steel could be made quickly and cheaply from molten iron. At once steel replaced iron in many directions, and when in 1879 it was proved that steel could be made from low-grade ores, containing large proportions of phosphorus, vast new supplies of ore, especially in Lorraine and Luxembourg, came into use, and laid the foundation of the German steel industry. Since that time the growth of metallurgical science has shown that by the addition of small quantities of other metals steel can be made to assume added strength, hardness, or resisting power, and to-day steel is doctored in various ways so as to fit it for its work in bridges, rails, machines, engines, tools, building structures, armour plates, shells, etc. The result is a world dependent upon steel both in the peaceful walks of life and in the hurling out of death.

Modern Aspects of Power. At first steam was generated with little regard to economy. Coal was plentiful and cheap, and therefore much of it was allowed to go up the chimney, providing a black pall of smoke over the town and a cloak of soot on the buildings. Gradually the folly of such waste came to be realized, and experiments were undertaken with a view to obtaining the greatest possible amount of heat from the fuel; better furnaces, better boilers, etc., helped to reduce the consumption of coal, while mechanical refinements made the engines less wasteful of energy. These improvements enabled great economies to be made in fuel, while at the same time other forms of power were being called into use. The gas engine, invented about 1860, was a boon to the small workshop, and the coming of the motor engine opened new vistas for land, sea, and air transit. In 1905 the United States made 34,000 passenger motor cars; in 1917 it made 1,800,000.

The greatest new power was electricity. From about 1830 onwards scientific investigation into electricity was very keen, and soon produced the telegraph (1840); in 1866 the first ocean cable was laid; in 1877 came the telephone, and by 1900 wireless telegraph was within the bounds of the commercially possible. Meanwhile the invention of large-powered economical dynamos enabled electric tramcars to be run in the eighties; electric light came about the same time, and the competition between the incandescent mantle and the electric bulb occasioned a rivalry of scientific wits which has revolutionized lighting conditions within the last generation. Of electric cooking, traction and machine-driving we shall hear much more in this century, especially where the presence of falling water makes hydro-electrical generation possible. The wealth of motive power stored up in falling water was realized by a Frenchman in the sixties, and since that time engineers the world over have been harnessing waterfalls by leading the water into big

pipes, out of the bottom of which it squirts with great force, and so drives machinery for the generation of electricity. The waters of Scandinavia, the Alps, Canada, and United States of America are now largely in the hands of the engineers, and from them is obtained a very large supply of cheap electricity. Tasmania and New Zealand are following in the same direction, the Launceston municipal hydro-electric works dating from the early nineties. This cheap power is used for lighting towns, driving machinery, trams, and trains. It is also specially employed in paper-making and chemical works, and promises to provide a cheap force for the treatment of our complex Australian ores. Already in Tasmania the trams are driven by hydro-electricity, the two chief towns illuminated, zinc is being extracted from its ore by electrolysis, and carbide, cocoa, and textile works are being erected (1920).

The Revolution in Transit. Modern economic activity depends largely upon quick, regular, safe, and easy transit of persons, goods, and news from place to place. Up to 1830 such facilities were being provided more and more by means of canals after 1760, and turnpike roads after 1740. The former reduced freight on heavy goods by three-fourths, while the macadamized roads made rapid travel more possible. In 1830, however, the many experiments in railway engines culminated in Stephenson's "Rocket," which pulled a train at the rate of 29 miles an hour. From this time onwards railway construction became general, first in England, and soon in almost every part of the world. By 1850 there were railways in fourteen countries. The first railway in Australia was opened in 1855; Sydney and Melbourne were linked up in 1883, Adelaide and Melbourne in 1887, Sydney and Brisbane in 1889; and the completion of the East-West railway in 1917 completed the connection between the five capitals. Throughout the world long-distance railway communication has been pushed ahead since the sixties. The first line across the United States was opened in 1869, the Canadian Pacific in 1885, the Trans-Siberian in 1901, while the Cape to Cairo, the Bagdad, and other projects indicate the bigness of modern railway ideas. In old countries the railways linked up existing centres; in new countries they were flung out into the wilds and opened the way for settlement.

The application of steam to ships went on at the same time as the growth of the railway. In 1819 the Savannah crossed the Atlantic in 19 days, driven by steam and wind. In 1833 the first steamer proper crossed the same ocean in 17 days. For a time the clipper, an American type of sailing vessel, was faster than the best steamships, but with the coming of the iron, and later the steel ship, driven by propellers, the windjammer took second place. The first steamship to come from Europe to Australia arrived in Adelaide in 1852, but on this boat, as on many later ones, sails were used as well as steam. The adoption of steel allowed bigger and faster boats to be built, and by 1914 vessels of 50,000 tons were crossing the Atlantic at a speed ranging up to 25 knots. Special cargo ships began to be built for ores, coal, cattle, wheat, oil, and perishable goods, and these vessels revolutionized sea trade even more than the fast liner. Henceforth goods of large bulk but small value could be shipped profitably half-way round the world, and find a ready market in populous centres. The produce of America and Australasia assumed a new importance, and the fear of famine passed away from the western world—till 1914. Engineering skill not merely increased the speed and reduced the cost of ships, but also annihilated distance to some extent

by making short cuts. The Suez Canal, opened in 1869, reduced the length of the journey to India by one-third, and the Panama Canal, ready for traffic in 1914, is giving a new turn to trade between the Pacific and the Atlantic.

The Achievements of Science. Many of the above inventions and discoveries have been due to scientific investigation, but there are other respects in which science has added its quota to human progress. The work of Pasteur (about 1856) laid the foundations of modern sanitation; Kelvin, Joule, Clerk-Maxwell, and others made possible the exploitation of electricity. Perkin, hunting for something else, stumbled across aniline dyes in 1856, and his successors discovered that coal-tar, the refuse of gasworks, could be turned into many profitable commodities, from explosives and disinfectants to saccharine. Metallurgical science brought the treatment of metals and fuels to a high degree of perfection. The chemist has revolutionized the leather and textile trades; artificial silk is made from wool pulp or cotton waste, and on every hand men are trying to find some use for waste products and make every metal and plant into a commodity suitable to the wants of man. Finally, scientific observation has been turned to the details of business practice and organization. A science of management is being shaped, which aims at eliminating waste of time, labour, or material, increasing efficiency and economy, and reducing industrial fatigue.

Effects of the Revolution. The Industrial Revolution brought an enormous expansion of the volume of production, and a speeding up of every side of economic life. It involved a transition from old to new forms of industrial life and organization, and the transition brought probably as much misfortune in its train as any other in history. This was due not merely to changes in industrial methods, though these alone would have inflicted much suffering on the weak. In addition, we must remember that the disruptive stages of the revolution were contemporaneous with the Napoleonic War, with its heavy loss of life and big burden of debt. Further, the revolution came at a period of undiluted individualism. No statesman saw what was happening, or whither the new system was leading. The prevailing political philosophy was *laissez-faire*—let alone, let things go their own way, free from interference or guidance from the state. Under the influence of this idea, and under the pressure of the manufacturing and mercantile interests, which were then strong in parliament, the state not merely repealed all the laws which had regulated the former system of industry, but refused to put any new ones in their place. Hence economic forces were left unchecked by any social or political humane considerations, and this was responsible for the crop of problems which the new order created.

The chief effects of the revolution were briefly as follows:—(1) Since water-power, coal, and iron were essential, industries and population migrated to those districts where these facilities were available. For instance, the textile trade of England, which formerly had been scattered over many parts of the country, now began to concentrate on the coalfields of Lancashire and the West Riding of Yorkshire. (2) In these new industrial areas industry became concentrated in towns, near to railways, canals, and mineral deposits. Some old towns became big cities—*e.g.*, Manchester and Birmingham; villages grew into big towns. They grew up quite unplanned, and presented to posterity legacies of dirt, slums, over-crowding, and bad health. (3) Industry passed from the home to the factory. The new machines and steam

engines could not be housed in the cottage, and therefore special buildings must be procured. At first barns, cart-houses, and out-buildings of all descriptions were utilized, but gradually bigger structures had to be erected. The early factories were built without any consideration of lighting, ventilation, safety or health. The sole aim was to crowd in as many machines as possible, regardless of anything but big profits. Into these factories workers were gathered; women and children could do much of the factory work, and so were extensively employed, often in place of men. Work was carried on night and day, and the workers often toiled for 12 to 14 hours at a time. The absence of humane provisions from the factories was also found in metal works, mines, and ships, the general policy being to get labour as cheaply as possible and to obtain the biggest return on one's capital. Hence women and children worked in mines, and men went to sea in overloaded, leaky ships. (4) The new conditions required large sums of capital; therefore the merchants, financiers, and wealthier manufacturers, who had the necessary sums of money, became the leaders of industry—the capitalists —and the rest had to come and work for wages in their factories. The small men fought hard to retain their independence, but their efforts were in vain. Thus arose the clear distinction between the capitalist and the wage-earner, a distinction which became more marked with every advance in the size and complexity of industrial equipment. Capital pulled for big profits; labour for big wages. But as capitalists were for a time engaged in fierce competition with each other, trade at times was very brisk, until a financial crisis brought a period of stagnation, bankruptcy, and unemployment. And as labour for a time was unorganized, and men competed against men, women, and children, and machines, wages were low and industrial conditions bad. No wonder that men fought fiercely to resist the introduction of the new machines. No wonder that, as the new system began to take form, they cried out for the removal of its worst evils, organized to improve their lot within the system, and from that passed on in many cases to demand its replacement by something better.

Books Recommended. Beard, C., "Industrial Revolution," chaps. 2-3; Toynbee, A., "Industrial Revolution," chap. 8; Hobson, J. A., "Evolution of Modern Capitalism," chap. 4; Day, C., "History of Commerce," chaps. 28-31; Perris, G. H., "Industrial History of Modern England," chaps. 1-3; Warner, T., "Landmarks in Industrial History," chap. 15; Knowles, L. C. A., "Industrial and Commercial Revolutions in Great Britain during the 19th Century."

CHAPTER V.

SOME FEATURES OF MODERN INDUSTRY.

In the last chapter we studied the forces which helped to overthrow the old domestic system. Let us now examine some of the chief features of the new order.

The Organization of Capital. As we saw in Chapter I, the employment of large sums of capital was not unknown before the Industrial Revolution. But now capital assumed a far greater importance. Every advance in invention and discovery made bigger amounts of money essential. Even the early machines cost more than many small master-manufacturers could afford. In places a number of these small men pooled their resources, and established mills in which to do some of their work, while carrying on the remaining processes in their own homes as before. But, generally speaking, the new capital was supplied by merchants who had accumulated wealth in home or foreign trade, by financiers, or by wealthy manufacturers. The last class frequently comprised men who by dint of hard work and strenuous saving had been able to procure the necessary money for buying a machine or two. From such small beginnings the business grew larger, and eventually its owner became a very wealthy man. In many cases these self-made men were harsh employers, and the conditions in their factories were often very bad.

Many firms were established by the formation of partnerships, with two or three (or more) men putting their money together. The weakness of the partnership system was that in the event of failure each partner was liable to be called upon to the extent of all his wealth, say £10,000, to pay the firm's debts, even though his share in the business might be only £1,000. This unlimited liability rendered the partner's position insecure and impeded investment. In 1837 a proposal was made that "limited partnership" should be recognized, so that any person who put money into a partnership but took no part in its management should have his liability limited to the amount he had invested. This arrangement worked well in France, but the proposal was rejected in Britain. Another weakness of the partnership firm was its lack of continuity. If one of its members died, or wished to withdraw, the whole concern had to be dissolved. Nevertheless, in spite of these difficulties, men pooled their funds and took the risk. Money was wanted for railways, shipping, metal, and other industries, more money than three or four men could provide. The obvious method of raising that money was joint stock, but the Bubble Act of 1720 was not repealed till 1825, and until 1855 joint stock companies with limited liability could be formed only under the authority of a private act of parliament (*e.g.*, railway and canal companies), a charter, or letters patent. Hence most industrial companies which were established were technically partnerships. They grew rapidly in number, and in boom times many bogus concerns with high-sounding names sprang up. These latter used the names of famous or non-existing persons, issued false prospectuses, published accounts of enthusiastic meetings which were never held, and in other ways induced old people, governesses, servants, and other too-trusting people to invest their scanty savings. In 1844 the

British government recognized the need for putting business organizations on a better footing, and in that year registration of companies was provided for and the publication of periodical financial statements demanded. In 1855 some kinds of companies were allowed limited liability, and in 1862 this right was given to all companies. Henceforth any seven persons associated for a lawful purpose could, by subscribing to a memorandum of association, be registered as a company with limited liability. The company must publish an audited annual statement, and thus let its shareholders, present or prospective, know how it stood.

Between the partnership with its privacy of accounts and unlimited liability on the one hand, and the limited liability company with its publicity of accounts on the other hand, two other types of organization exist. In France and Germany we find companies in which the directors alone bear unlimited liability, though the number is diminishing relatively. In England and Australia we have the private or proprietary company. This is really a big partnership with limited liability. The number of shareholders, exclusive of employees, is limited to fifty, the shares cannot be sold or floated on the public market, and no balance-sheet need be filed or published. The enjoyment of this privacy is a boon which all companies would like. In law, the ordinary joint stock company is deprived of it, but in practice it gets much of it by establishing secret reserves, of which no one except the directors knows anything. In this way it is able to conceal its real financial position from its rivals and from those members of the public who are prone to accuse it of "profiteering."

The joint stock method is liable to great abuses, such as company promoting, etc., and many innocent, ignorant people fall victims to bogus schemes now as in 1844. But in spite of such dangers the adoption of the limited liability joint stock plan has made possible such a development of the world's resources as could not have been accomplished in any other way. One important feature of the growth of big companies has been the disappearance of any personal connection between employer and employee. The modern wage-earner seldom knows his employer. He knows only a foreman, a manager, or board of directors, whose business it is to earn as large dividends as possible for the thousands of shareholders scattered possibly over the face of the earth. These shareholders often know nothing of the business in which their money is invested. They may never have seen the works or even the country. Their interest in the condition of their employees is usually nil. Their only concern is the annual balance-sheet. Such conditions lie at the root of much modern labour unrest.

The growth of widespread shareholding and the flotation of companies and public loans gave added importance to the work of the stock exchanges. The London Stock Exchange, dating from the early 18th century, grew to large dimensions as a market for the buying and selling of shares, and similar institutions arose in Berlin, New York, Paris, and elsewhere. Like the joint stock company, the stock exchanges opened the way to sharp practices and questionable methods of money-making, but nevertheless they served an important purpose in facilitating the raising, buying, and selling of capital.

Banking and Credit. The growth of large-scale industry and commerce necessitated big developments in banking and credit facilities. On the one hand were men who wished to deposit their savings; on the other were men desirous of borrowing money with which to carry out some scheme.

The banker, therefore, rose to power as a middleman, a money merchant. He bought the use of money by paying a small interest to those who deposited their savings with him, kept those deposits in safety for their owners, and gave them back when required. Then, knowing that not all his depositors would want their money at the same time, he began to make bold to sell the use of some of the money to such as wished to buy. These sales might be of many kinds. Loans were made for long or short periods to manufacturers, merchants, or farmers, provided good security was given. Bills of exchange were discounted, and so movements of commodities from country to country were made possible. The growing use of bills of exchange allowed the Australian wool-seller, the Argentine wheat-grower, the Cardiff coal merchant, and the Yorkshire cloth-maker to receive payment for their goods almost immediately upon delivery. In Germany especially, the banks made considerable investments in industrial and commercial concerns, and helped materially the economic expansion of that country. The chief method of the banks was to work by the creation of paper money. At first credit was created by giving the borrower bank notes. When the banks were deprived of the right of note issue, they granted credit by allowing the borrower to draw cheques on them. Payment by cheque became common; in 1910, £48,000,000 of cheques passed daily through the London Clearing House; in 1918 clearing house transactions in U.S.A. amounted to $332,350,000,000; and in 1919 £1,440,000,000 of cheques, bills, etc., passed through the clearing houses of the five mainland Australian capitals. The bill of exchange became the staple medium for international trade, while in every big country the issue of notes by private banks or the government added to the amount of currency. Bankers have learned their lessons by much bitter experience, which alone could show what proportion of reserve must be kept in hand. Further, governments have recognized the need for regulating and restricting banking affairs, especially in the issue of notes. In 1844, after frequent blunders by the private banks, the Bank of England was given the virtual monopoly of note issue in Great Britain; the Bank of France, founded in 1800 by Napoleon, obtained the same privilege in 1848, both banks being subjected however to legal restriction on their note issue. Until 1914 Britain had no government paper money, but the exigencies of August, 1914, and the subsequent need for money, made necessary the issue of some hundreds of millions worth of Treasury Notes, supported by only a small gold reserve.

Banking began in Australia with the foundation of the Bank of New South Wales in 1817, and grew steadily. Most of the private banks had the right to issue notes, and over-issue had something to do with the financial collapse of 1893. In that year the Queensland Government took to itself the sole right of note issue in that state. In 1910 the Commonwealth Government took over entirely the work of issuing notes in Australia, and since that time has issued over £50,000,000, while at the same time the private bank note has been driven out of circulation. Until late in 1920 the Australian issue differed from that of pre-war England and France, in that it was a Treasury note, issued by a government department, while the English and French notes came from banks which, although owned by private shareholders, enjoy a large measure of official recognition and patronage. The Commonwealth Bank, founded by an Act of 1911, was in 1920 given almost complete control over the Australian note issue, with what result remains to be seen.

The net result of these manifold monetary developments has been that the world has gradually become covered with what a recent writer called gossamer threads of finance, which make production and international exchange possible, but which may be broken by the breath of droughts, floods, bad seasons, over-speculation, or war.

The Big Unit. As the Industrial Revolution worked out its changes men began to realize the advantages which accrued from increasing the size of the industrial unit and the benefits of large-scale production. These benefits were many, but the chief were as follows:—(1) The big firm can purchase its raw materials in big bulk, and therefore procure them more cheaply than the small man. This advantage is pushed further when the big firm owns its sources of supply and means of communication. For instance, the United States Steel Corporation has its own iron ore and coal deposits, its own ships, railway tracks, and rolling-stock, and its own coke ovens. It is thus independent of outside sources of supply, and free from the middleman. Lord Northcliffe has his own paper-making factories, Lord Leverhulme his own oil and copra areas and steamships. This all means cheaper supplies of the necessary raw materials. (2) The big firm can have a special machine for each process. The units of the modern motor car are each made by a machine constructed for its particular task and so devised as to be automatic in its adjustment and operation. (3) Specialization in machinery means a high degree of division of labour; instead of a man doing many jobs, he specializes on one detailed task—the cutting of boot soles, the fitting of a mudguard, or the making of a particular screw. This division of labour extends to clerical work and management also, and we find men deputed to control some special aspect of buying, production, or sale. Division of labour means the rule of the expert in every walk of industry. (4) Division of labour goes even farther, and results in the employment of a staff of scientists, who devote their time to devising better machines, discovering new processes, improving the quality or cheapening the cost of the product, and finding new uses for waste materials. In this respect alone the big firm has scored great triumphs. The scientists in the employ of the Standard Oil Trust have discovered that over 200 different by-products can be made from the refuse extracted in refining crude oil. Many other instances could be given to show how the modern firm endeavours to eliminate waste and find a profitable use for every particle of its raw material. (5) The big firm can distribute its goods through its own shops or agents, can bid for large orders, and can attack systematically the foreign market.

These advantages gradually became more manifest during the 19th century, and resulted in a steady increase in the size of the industrial unit. The number of employees per firm in the United States iron and steel trade increased by 135 per cent. between 1880 and 1910. Throughout the world small firms amalgamated, or were swallowed by bigger ones. In 1850 there were 44,000 brewing firms in Europe; in 1903 only 5,692. Lloyd's Bank in the course of the last 65 years has absorbed 40 other banks; Germany is practically in the hands of seven big banks, and controlled by a group of capitalists scarcely 50 in number. The iron and steel industry of America is dominated by the U.S. Steel Corporation, with a capital of well over £200,000,000, while the biggest of the English railways has a nominal capital of £204,000,000. Many firms employ thousands of wage-earners; one Russian textile unit had a town of 80,000 people dependent upon it in 1914. An

American tyre factory employs 18,000 workers, a steel corporation has 200,000 names on its pay-roll. In Australia, the Broken Hill Proprietary, Ltd., employs over 6,000 men at the Hill or at its steel works in Newcastle. Further, some concerns, such as the armament makers and thread manufacturers, have works in many lands, and are international in their scope. The firm of Vickers has workshops in Italy, and in 1914 was reorganizing the naval systems of Turkey and Greece. Revelations made in 1913-14 showed that German, Austrian, Russian, French, Italian, Japanese, Belgian, and English armament firms were all interrelated, while a steel company which died in 1913 had been managed by a directorate drawn from Italy, Britain, Germany, France, and America. The big firm has long ago overleaped all national boundaries, and in many cases is world-wide in its sphere of control.

The growth in the size of the unit has been accompanied by a concentration of industrial power into the hands of comparatively few men. This development is partly due to the growth of trusts, and will be explained fully in a later chapter. Its result has been to foster the growth of an economic autocracy, which is in strange contrast to the universal movement towards political equality and democracy. The power of big capital has expressed itself not merely in economic affairs, but also in political life. Here, either openly or in secret, capital has sought to protect and further its interests by subscribing to party funds, by influencing or owning newspapers, or by less scrupulous methods of bribery. In return it has expected favourable legislation, sought immunity from anti-trust and anti-monopolistic laws, or demanded the blocking of bills intended to curb its power. These measures have been most successful in the United States; Mr. Roosevelt admitted in 1915 that when in office he had refrained from authorizing legal proceedings against certain trusts because they had contributed heavily to his election funds. President Wilson in 1912 spoke in strong terms of "the control over the government exercised by big business"; he declared that the American Government had "been for the past few years under the control of heads of great allied corporations with special interests," and had submitted itself to their control; hence the troops of scandals, wrongs, indecencies, with which American politics have swarmed. This influence, which is powerful in every country except Russia to-day, has been especially great on foreign policy. Democracy tends to concentrate its attention on domestic reforms, and neglects international relations. Hence those interests which wish to obtain new sources of supply for raw materials, new markets, fields for investment, etc., exert pressure on the foreign offices. Foreign policy is thus often shaped by commercial and financial interests. The wars between England and China were fought to maintain British merchants' rights to import opium; rival claims for timber concessions had much to do with the Russo-Japanese war; commercial rivalries played no small part in causing the war of 1914, and commercial and financial interests took their share of the spoils in the peace settlement.

Labour Conditions in Modern Industry. Labour conditions are now determined chiefly by three things—the use of machinery, the increased division of labour, and the more scientific arrangement of production. The introduction of machinery had many results, the effects of which on the worker depended upon the rate at which the new machines were adopted. In some industries the rate was slow; the power loom was not in general use in the woollen industry until 70 years after its invention.

Hence the displacement of labour was not so great or severe as in the printing trade, where the rapid adoption of type-setting machinery threw many hand-setters out of employment for a time. In the long run, however, the adoption of machinery frequently had beneficial results. It not merely enabled the world's growing demand to be met by increased production, but in the big staple industries it allowed a reduction in prices which created a largely enhanced demand, and so caused more employment than ever. Most commodities are produced with the aid of machinery to-day, and yet there is no more unemployment than was the case 150 years ago. The printing trade, for instance, after the first ill-effects of the advent of machinery, witnessed a remarkable growth. The labour cost of setting type was reduced by over two-thirds, and other machines made possible the issue of more papers and the coming of the cheap book. Far more workers are employed than before; wages are better and hours shorter, and the public has reading facilities such as otherwise would have been impossible. Similar results have come in other trades. Further, though some machine-using occupations passed more into the hands of women and semi-skilled men, new industries were created in which skill was called for and higher wages paid; machine-making, engineering, mining, and shipbuilding are comparatively new industries, products of the Industrial Revolution, and in these trades higher wages have prevailed than are found in the older occupations. Nearly every decade sees some new big industry grow up.

Machinery brought in its train an increasing division of labour. In place of four processes there might be twenty. There are forty distinct operations in making a man's linen double collar. From the point of view of producing wealth this specialization was beneficial, for each man became an expert in his own little field of work, and consequently produced more. From the human standpoint, extreme division of labour brought monotony, and the constant repetition of one small job may be as fatiguing to mind and body as strenuous manual tasks. It is doubtful, however, whether modern work is any more monotonous than was the more varied manual occupation of earlier days. The 18th century worker's incessant toil at a hand loom, spinning-wheel, or anvil, was every whit as dreary as that of his modern counterpart; often he worked in insanitary surroundings, he had to supply all the power from his own muscles, he received lower wages, and had little time, facility, or inclination for decent leisure or recreation. Modern machinery and division of labour, in spite of their drudgery, have at least made possible the eight-hour day, the Saturday half-day rest, and the occasional holiday; they have provided the newspaper, the cheap book, the excursion, and the varied forms of indoor amusement. In short, they have produced something which in a man's spare time enables him to repair the ravages of fatigue and get some enjoyment out of life.

Machinery and Skill. The effect of modern machinery upon the position of the skilled workman only became fully apparent in Europe after 1914. Theoretically the invention of an ingenious machine for any purpose would seem to sound the death-knell of skill in that particular occupation. In practice this has often happened; for example, the skilled glass-blower has been driven out by machinery in the American glass industry since 1896. But many things may combine to preserve the status of the skilled worker in some occupations. In the first place, much machinery is not fully automatic, and depends to a great extent for its efficiency upon being "minded" by a

man who understands its working and can cope with any difficulty which may arise. Hence many employers use skilled men in preference to semi-skilled or unskilled workers. Secondly, the factory system, by gathering men together in crowds, made strong trade unionism possible, and the unions of engineers, carpenters, and mechanics were able to maintain the monopoly of employment for men who had gone through a long course of training. Thirdly, in Europe, the aim of most firms has been variety and quality rather than mass production, and for quality work skilled men are needed.

The war, by taking away many skilled men, and by creating a demand for immense quantities of standardized articles, made necessary the devising of more automatic machinery, the abandonment of old rules which favoured the skilled men, and the employment of every available worker. A little instruction, a few weeks' experience, and anyone could take charge of some of the new productive appliances. Knowledge as to how the machine was fed, oiled, started, and stopped in many instances took the place of the skill formerly gained by apprenticeship and long training. This new development, with its consequent dilution of labour and production of a class of semi-skilled machine operators, may influence permanently and considerably the position of the old skilled class. The great advance in the strength of trade unionism since 1914 will probably prevent such developments from reducing the level of wages, though it may not prevent the disappearance of that difference in wages rates which formerly made the skilled workers the aristocracy of labour.

Scientific Management. As we saw in the previous chapter, science has been endeavouring during the last thirty or forty years to eliminate that prodigal waste of material, power, time, and labour which characterized production during the earlier stages of the Industrial Revolution. The waste of material was met by seeking uses for by-products formerly thrown away. The treatment of coal-tar is the classic example, but others might be given. For instance, at one time all the cotton seeds extracted from the cotton pod, except those required for the next year's seed, were thrown away. To-day they are pressed, and the cotton-seed oil thereby extracted is made into many things, from imitation olive oil to margarine or soap. The husks make oil cake for cattle, fuel, and paper, while the plant itself yields various chemical products.

Scientific management proper concerns itself not with this application of chemistry, but with the formulation of principles to govern management. It has two sides—the management of things and the management of men. In its first task it seeks to establish costing systems which will show at a glance where waste is taking place, what each process costs, and which branches of production are profitable or otherwise. It endeavours to provide working conditions which will best help to get increased production, such as proper lighting, suitable temperature, adequate ventilation, etc. It studies industrial fatigue, and tries to eliminate the factors causing it. It arranges processes in such order that material flows steadily and naturally from one worker to another in the passage towards the finished article, and where the final task of a factory is the assembling of many parts—*e.g.*, a motor car—it so arranges matters that each part arrives at the right place in the required number and allows assembling to be done quickly and continuously. It thinks the whole problem out, instead of working by rule of thumb. Modern large-scale production requires co-ordination and co-operation of the

many specialized branches; otherwise there is confusion. To provide that co-ordination is one of the chief aims of modern business management.

The second task of scientific management is the handling of men at their work. Each job is analyzed, and a time and motion study undertaken, often in a works laboratory equipped with elaborate apparatus and a cinematograph. The simplest, most economical way of performing a task is sought for, and unnecessary movements are marked out for elimination. Finally a standard time is fixed in which a task can be done, and by various methods of bonus payments workers are induced to accomplish their task in the standard time, or even less. This part of scientific management is vehemently attacked by trade unionists as a dodge for speeding-up, wages-cutting, and the destruction of that standard rate of wages for which unionism fights. We shall return to this topic later, when examining the policy of trade unionism in America (Chapter XV). The first part of the scientific manager's work is not open to such an attack, for it seeks to secure the abolition of that wastefulness which is still much too common a feature of production in all its forms.

Books Recommended. Hobson, J. A., "Evolution of Modern Capitalism," chaps. 5, 6, 11, 12, 13; Marshall, A., "Industry and Trade"; Hirst, F. W., "The Stock Exchange"; Wilson, Woodrow, "The New Freedom"; Gide, C., "Political Economy," chapters on Labour and Division of Labour; Withers, H., "The Meaning of Money"; Brailsford. H., "War of Steel and Gold"; Taylor, F. W., "Principles of Scientific Management"; McKillop, A. D. & M., "Efficiency Methods"; Webb, S., "The Works Manager To-day."

CHAPTER VI.

FLUCTUATIONS IN ECONOMIC PROGRESS.

Economic progress is not steady, constant, and unbroken. It suffers from very marked fluctuations, with alternating periods of boom and depression. The former are marked by plentiful employment, increased investment and production, higher wages and prices, and a general atmosphere of optimism and enterprise. All's well with the world. These conditions give place, suddenly or gradually, to bankruptcies, unemployment, falling wages and prices, an unwillingness on the part of investors to embark on new enterprises, and a universal sense of stagnation and pessimism. The country seems to be going to the dogs. Then slowly there dawns a more hopeful tone; men venture once more on bigger things; slackness is displaced by energy, and prosperity comes round again, only to be followed by another crisis and period of depression. And so the cycle goes round—prosperity, depression, prosperity, or depression, prosperity, depression, according to one's point of view—and the economic world pursues its undulating career.

To the wage-earner the most important feature of these fluctuations is the effect on wages, prices, and the state of employment. During boom years prices rise; at the same time the increased demand for labour causes a general increase in wages. Unemployment figures fall, and there is considerable overtime for most workers. Depression, on the other hand, brings a drop in wages and prices alike, more unemployment or under-employment—*i.e.*, short time. So far as available statistics are of any use, they indicate that unemployment in bad times is about three times as great as in periods of prosperity. In some British trade unions it has fluctuated from about 3 per cent. to 9 per cent. In New York State a rate of 9.3 per cent. in the "good" times of 1906 gave place to one of 29.7 per cent. in the black days of 1908, while the figures for Australia, which for the earlier years are admittedly unsatisfactory, show a fluctuation from 10.8 per cent. in 1896 to 4.7 per cent. in 1911.

Chief Features of Business Cycles. (1) Trade fluctuations, with their many phenomena, can be traced back to at least the 16th century. Unemployment, financial chaos, and complaints of bad trade were as well known in Stuart England as they are to-day.

(2) These ebbs and flows affect social as well as economic conditions. The curve representing the movements of foreign trade is wave-like. A similar curve represents the movements of the rate of interest, the number of new companies floated, railway activity, shipbuilding, employment, prices, wages, etc. The number of marriages varies with the state of business. The national drink and tobacco bills go up with good trade, as does also the number of police court cases due to drunkenness. On the other hand, larceny and theft became less necessary means of livelihood, and the calls on public or private charity vary in amount according to the volume of unemployment. Industrial unrest is generally most prevalent in years of good trade, for when labour is in great demand the wage-earners, faced with rising prices and conscious that their labour is urgently needed, agitate for increased rates of

pay. A similar policy is pursued by those who have capital to invest or money to lend. Since more and more capital is required, capital demands higher wages. In bad times capital and labour alike are less aggressive, and are satisfied to get employment on any terms.

(3) Depressions recur at almost regular intervals. In the 17th century a period of eight to ten years separated each crisis from its successor, and all through the 19th century depressions came every nine to eleven years. The following years saw British trade turn down-hill:—1815, 1825, 1837, 1847, 1857, 1866, 1878, 1885, 1893. In the present century depressions came in 1904, 1908, and 1920, but two of these were the back-wash of war, and were thus due to extra-economic causes in part. From the facts just given, economists have coined a phrase—the periodicity of crises or depressions—by which we mean that the rotation from depression through prosperity back to depression takes generally an almost uniform period.

(4) Trade fluctuations tend to be universal, and affect all countries at about the same time. This is due to the way in which international finance, foreign investments, and commercial relations are inextricably mixed up together. The world has almost become an economic organism. Hence if one member of the body suffers, all the other members suffer with it. A collapse in America affects Germany, England, and all the other countries which have trade connections with America. A serious breakdown in Great Britain is felt to the ends of the earth. This generalization is not completely or always true. For instance, the crisis of 1873, one of the worst on record, was very severe in Austria, Germany, and the U.S.A.; and yet Britain scarcely felt it at the time. Similarly, the prostration of Germany in 1901 had little effect on Britain, largely because British industry was busy supplying goods for the South African War. But these are exceptional cases. As a rule, a big crisis in one important country, like a stone dropped into a pool, sends out ripples which wash over the world, and emphasizes the financial and commercial interdependence of nations.

(5) In the past, depressions were generally preceded by a brief period of acute crisis. The financial heart seemed about to stop beating, bankruptcy stared many in the face, and the house of cards tottered before coming down. But in recent years experience and the consequent improvements in financial methods have enabled Britain and France to avert these crises. In America the banking system was until 1913 so defective as to render crises almost unavoidable. The tendency in the leading countries now is for the period of prosperity to work up to its maximum height, and then tail off steadily into slacker trade. This was evident in the gradual decline of trade from the peak of prosperity in early 1920. An old-fashioned crisis occurred in Japan in March, 1920; sixty years ago this catastrophe would have quickly precipitated similar events in America and England. Instead, it was possible to spread the decline from boom to depression over six months. Industry goes gently down the hill. Formerly it fell over the edge of a precipice. Further, it may be possible to weather a crisis and escape a depression.

Suggested Explanations. The persistent recurrence of these variations in prosperity has naturally attracted much attention, and many theories have been put forward in explanation. In 1895 one writer drew up a list of 230 different theories, and in the first 12 years of the present century at least 13 well-known economic thinkers suggested new and different explanations. Of the many theories a great number can be rejected at once. Industrial

depressions are not due to protectionist or free-trade systems, to despotic or republican forms of government, to paper or metallic money systems, to capitalistic or domestic forms of industry. Depressions and booms have alternated in all countries, regardless of fiscal, monetary, or political conditions. They were known 200 years before the coming of modern capitalism.

Nor can the explanation be found where Jevons sought it—in the sky. Jevons noted the periodicity of depressions, and attributed it to failures in the world's harvest, which in turn were the result of the periodical appearance of spots on the sun; hence the famous sun-spot theory. But one of the worst crises of last century came in a year of excellent harvest, and when the sun's face was exceptionally freckled; the theory therefore had to be discarded as "mere romancing," and one writer declared that sun-spots were no more the cause of depression than were the spots on a leopard's back. In recent years, however, the theory has been revived in modified form, and all now admit that the effect of the weather on crops may have much to do in causing commercial disturbances.

Other explanations also fall to the ground for want of definite data to support them. For instance, those of Marx and Hobson, known as the under-consumption theories, were to the effect that labour receives so small a share of the wealth it helps to create that it is unable to purchase all the goods it produces. Capital receives as its share more than it can spend; it invests the surplus, and so increases the amount of goods produced, without increasing in the same ratio the spending power of labour. Hence eventually the markets are overcrowded with goods which the labourers cannot buy, and so there is a depression. Men are thrown out of work until the surplus stocks are sold off. In short, depression and want are due to over-plenty of goods, or rather to the inability of the mass of the people to buy more, because of the unequal distribution of wealth. To remedy this the socialist looks to socialism as a remedy. Hobson urges bigger wages, smaller profits, and less saving, which would at once increase the spending power of the bulk of the population and reduce the fear of over-investment and over-production. These theories have not yet been supported however by adequate data. There is nothing available to show, for example, that the over-supply of houses, boots, clothes, or food is responsible for any crisis.

No one explanation will suffice. The economic system is like a big complex machine. When a machine stops it may be because something has gone wrong in any one of its hundred parts and adjustments; it may be because of the inexperience or inattention of the man in charge; it may be due to a breakdown or stoppage of the power supply; it may be because the man in charge of the machine or the power plant wants it to stop. Any one of these causes produces the same result. So it is in the business world. A crisis and depression may be the result of any one of a great number of causes. These causes can be grouped under four headings:—

(1) *The Failure to Realize a Profit.* The aim of business is the making of profit. Men will not carry on production or sale unless they can pay their way and have a surplus left over for themselves. Hence so long as a big profit is possible investment and production are keen, and prosperity is general. But when for any reason—increased wages, cost of raw material and rate of interest or discount, inability to push prices higher to make up for these increases, shrinkage of demand, etc.—profit declines and possibly disappears, then activity is checked. No new firms are established, no new machines, rolling-stock, buildings, etc., are wanted; the demand for raw

material declines, and a depression develops. This shrinkage of the rate of profit in the last stage of a boom is a well-known feature of the business cycle, and is regarded by some authorities as the general cause of depressions. It leads to a consideration of one of the most important features of modern industry—*i.e.*, speculation. Production to-day is often carried on in anticipation of demand. Between the buying of the raw material and the packing of the finished article months or years may elapse. The business man buys and makes because he expects to be able to sell his goods, when they are ready, at a price which will repay him for his outlay, risk, and trouble. Such speculation is legitimate; it is necessary if mankind is to have its goods waiting to be bought when it wants them. But obviously the speculator's expectations may not be fulfilled. People may not want the goods, or they may be unwilling to pay the price asked; or other speculators may also have been producing the same goods in anticipation of the demand, and so competition between rivals compels a reduction of price. In any such case the speculator suffers, and may be ruined.

(2) *Unwise Investment.* In times of booming trade, when everyone desires to get rich quickly, many tempting but unsound schemes are dangled before the eyes of the public. Speculation of an illegitimate kind becomes rife; the stock exchanges are the scene of frantic booms, in which shares, good and bad, change hands at fabulous prices. Speculation in land and goods is general. Eventually these inflated prices break; no dividends are forthcoming, and those who have been unable to "unload" find themselves with costly but useless scrip, land, or goods on their hands.

(3) *Unwise Finance.* As we saw in the last chapter, credit is the motive-power which makes it possible for the economic machine to work. Practically every enterprise depends at some time or other upon being able to get advances from the banks, either in the form of overdrafts or by the discounting of bills. Now banks are run for profit, like all other enterprises, and therefore in boom times they are tempted to grant the many applications for credit, steadily raising their rate of interest as the applications grow more numerous. Hence they may give credit to unsound ventures; they may allow too much credit, and pass the safety line in the relation between advances and reserves. Eventually they realize the danger of their position, and endeavour to get back to safety; they refuse any new applications for credit, increase the rate of interest on existing advances, and order their debtors to reduce their overdrafts. Thus in order to save themselves they may take steps which paralyze further production.

(4) *The Forgetfulness and Optimism of the Average Man.* Decade after decade similar developments take place, similar blunders are made. This is undoubtedly due to the fact that men so rapidly and easily forget the past. In a crisis they burn their fingers; but the blisters eventually get better. After each collapse they vow that never, never again will they be bitten, just as after every war they vow that there shall be no more wars. But when the road to profit opens once more, the vows are forgotten, the unpleasant memories fade. Men go in to conquer; of course, this time it is going to be different, and they will know when to stop. But in practice it is not different, and men get so caught up in the whirl that probably they could not stop even if they remembered to want to do so.

Under the stress of the forces just outlined, a period of prosperity comes to an end, and, if nothing untoward interferes, industry sinks gradually back into quietude. Unfortunately, it has often happened that just at the critical

moment something snaps, some economic earthquake takes place. This may be one of many things—the collapse of some big firm, a bad harvest, the breath of war or peace, new legislation concerning trusts, wages, tariffs, or taxation, an industrial dispute, repudiation of debts by some government, the discovery of a new cheap process, the breaking of prices in one or more commodities, etc. Should such an event happen at the critical moment the period of boom and over-confidence may end in a short, sharp spasm, a crisis, maybe degenerating into a panic, with a rapid plunge into depression.

Details of 19th Century Fluctuations. Let us illustrate the above analysis by examining some of the chief fluctuations of the last hundred years. The depression which followed the Peace of 1815 was due to two main causes. (1) Europe wanted goods, just as she wanted them in 1920, but was too poor to buy anything but the barest necessities of life. Taxation was heavy, money was scarce, and English firms which had produced goods in vast quantities, hoping for big orders when peace opened the European markets, found it impossible to sell their wares. (2) The stoppage of government orders for war materials meant the disappearance of a customer who had been buying at least £1,000,000 of goods a week. A bad harvest in England (1816) and the failure of the Irish potato crop added to the misery, and so the years 1815-18 were times of general suffering, with frequent riots, widespread theft, and murders for bread. In Switzerland some villages set up big boilers in which to make bone soup, and boiled the bones three times over.

Out of this misery emerged gradually a time of prosperity. By 1820 the tide was rising high, and the commercial world passed into a state of almost insane optimism, which eventually brought the crash of 1825. That collapse was due to three causes. (1) Over-investment and share speculation in home industries, such as canals, gas, mining, and manufactures. (2) The fatal lure of overseas investments. Big loans were made to the South American republics, foreign mining companies were floated to exploit the wealth of a land where even domestic utensils were said to be made of silver and gold, and merchants shipped vast quantities of goods to South America in search of buyers. (3) Excessive loans by the private banks, chiefly in the form of notes. Everybody was in a hurry to become rich, and blindly rushed to invest. In three years 600 companies were floated, of which 60 were foreign mining concerns. Then in 1825, when the companies failed to pay the dividends expected, when the republics repudiated their debts or were unable to pay any interest, and when the skates and warming-pans sent to Rio de Janeiro would not sell, panic set in, and there was a run on the banks. The latter could not honour all their own notes, and in six weeks 70 provincial banks failed. From the misery which followed Britain gradually recovered, experienced a boom, and fell again in 1837. On this occasion "wild cat" banking, speculation, and over-issue of notes, especially in America, were largely responsible. England was hit by the failure of over 600 American banks in 1837, and the period up to 1840 was black. Any further rash issue of notes was checked by the Bank Charter Act of 1844. Again came recovery, boom, and collapse in 1847. The preceding years had seen heavy investment in railways. In four years, thanks to the activities of Hudson, the railway (share) king, nearly £200,000,000 of railway shares had been floated. Some were good, some were not. The thirst for profit took many innocent people into speculation, buying in order to sell quickly at a higher price. By 1847 it had become evident that there would be little return

on some shares, and no return on others. The bubble was pricked, the railway mania turned into a panic, and depression came.

Of the subsequent depressions little need be said. That of 1857 was due to the collapse of the American railway boom, and had serious effects in Britain and Germany. That of 1866 was the result of abuses of the new toy, limited liability joint stock. One big English firm, Overend & Gurney, which had a reputation second only to the Bank of England, made advances to unsound ventures, and fell to pieces with a resounding crash when the character of the debtor companies was discovered. Black Friday, May 11, 1866, is the classic example of a panic. Since that time Great Britain has been free from any such dramatic breakdown. This is due to the more cautious credit policy and growing amalgamation of the banks, the freedom from excessive note issue, and the increased solidarity in the financial world. Big banks have realized that if they allow any one of their number to break the effect on all will be disastrous. Hence on numerous occasions, when one bank has been tottering, the others, including the Bank of England, have come to its assistance, shouldered its responsibilities, and saved the situation. In America the crisis disappeared much later. Lack of banking solidarity and an inelastic note issue made it difficult to cope with such crises as developed in 1893 and 1907. In 1913 therefore the Federal Reserve Bank was established to stand behind the banks, enforce a more cautious policy of credits, and give assistance when trouble threatened.

The British depression of 1894 was due to paper-money troubles and over-capitalization of trusts in America, and to the bank and land smashes in Australia; that of Germany in 1901 was the result of a period of feverish profit-hunting, over-investment, and speculation. In 1907 trust antics played an important part, and the deliberate attempts of certain interests to break a rival helped to toss Wall Street into chaos and the world into depression. The depression of 1920 showed in its development many features common to earlier periods. Many parts of the world were too poor to buy even necessaries, and the exchange position rendered foreign trade precarious and unsatisfactory. The demand for higher interest, wages, and profit made it necessary to push prices ever higher until a point was reached when people would not or could not buy. The war period saw many firms inflate their capital enormously, and during 1919 and early 1920 company flotations were countless. The check on demand and the reduction of government purchases made the realization of an adequate rate of profit on this enlarged capital impossible. Finally, many firms bought raw material or goods at high prices, hoping to be able to sell them at still higher ones, but their hopes were not fulfilled. The banks, after having allowed liberal credit, began in the middle of 1920 to draw in their horns; interest rates were raised, new credit was refused, and old overdrafts had to be reduced.

Fluctuations in Australia. In Australia the prime factor is to be found in the effect of the weather on agricultural or pastoral production. A drought brings financial difficulties, for the farmers cannot repay their loans to the banks, and a brief period of depression comes until the rain brings a better day. But financial and commercial considerations have also played an important part. Dealings in land, live stock, and mining shares tend at times to foster the speculative spirit, which eventually over-reaches itself in its quest for gain and brings down the whole country with it. In 1827, for instance, there was a wild outburst of speculative live stock buying; men bought simply to sell at a profit. Then came a drought, which knocked the

whole movement to pieces and plunged the colony into gloom. Similarly in 1843 a period of vigorous land speculation in Melbourne, marked by subdivision sales and the consumption of unlimited champagne, came to a sudden end with disastrous results. This desire to acquire wealth simply by buying in order to sell again at a profit, instead of by actual production, has time and time again brought misfortune to one or other of the states. The big smash of 1893 was largely the result of a boom in city and suburban allotments. Great expectations were entertained of the early rapid growth of Melbourne and other cities. Hence began a rush to buy and sell land around the cities. The banks caught the fever, and lent money heavily to buyers, creating a large issue of notes in order to be able to do so. Then came the check, with the realization that the cities were not going to grow so quickly. The exaggerated prices paid for land were not maintained, and both the banks and those who found themselves with the land left on their hands were faced with ruin.

Books Recommended. Hobson, J. A., "The Industrial System"; Hyndman, H. M., "Commercial Crises of the 19th Century"; Beveridge, W. H., "Unemployment"; Mitchell, W., "Business Cycles"; Coghlan, T., "Labour and Industry in Australia."

CHAPTER VII.

THE TRUST MOVEMENT IN MODERN INDUSTRY.

One of the chief features in modern economic life is the creation of devices for the limitation of competition. In the field of wages this has been done by trade union organization, or by government regulation. Competition between workmen for jobs has not been abolished, but the principle has been laid down that such competition shall not be allowed to push wages below a recognized standard rate. This idea has been adopted by capital also, with great success. The various forms of agreements and business organizations which we describe generally as "trusts" have for their aim either the elimination of competition altogether, or the imposing of such restraints upon competing firms as will prevent prices and profits from being dragged below a certain level. From this defensive attitude trusts have in many instances passed on to an active offensive, which aims at realizing the greatest possible return to capital, if necessary by the exploitation of labour and the consumer. It may be worth while to analyse these aims a little further.

Aims of Trusts. (1) To take advantage of a protective tariff. A stiff tariff frees the home producer from some foreign competition, and places the local market more at his disposal. But home producers may still compete fiercely, unless they agree to abandon that competition and share the spoils more amicably among themselves. Many trusts have arisen in this way, behind the shelter of a high tariff wall.

(2) To remove the destructive effects of excessive competition, and guarantee reasonable profits by keeping prices steady and by reducing "competitive costs." By "competitive costs" we mean the money spent in persuading a customer to buy A's goods instead of those of B. Such costs are advertising, fees to agencies, salaries and expenses of commercial travellers, etc. A glance at the newspapers, advertisement hoardings, and the army of commercial travellers employed to-day will indicate the extent to which competitive costs form part of the price paid for any article. Any movement, therefore, which reduces the need for such a large outlay has a beneficial effect on the annual balance.

(3) To get control of the market, local or international, and establish a monopoly.

(4) To get by combination the benefits of large-scale purchase, production, and sale. This may mean either the union of firms producing the same thing—a horizontal combination—or the union of firms doing different but inter-related tasks—a vertical combination.

(5) To present a more united front to labour demands, and strengthen the hands of employers in any struggle with their employees. These and other minor aims have been responsible for an almost universal trust movement since the seventies of last century. Trusts are almost as common in Australia as in America; they abound in Germany; they have multiplied in Great Britain since 1900.

The predominating type varies from country to country; but three types stand out clearly. Competition is restricted in one of the following ways:—(1) By making agreements (rings) among rival producers, which, while leaving each firm free in most respects, impose upon it certain conditions as to minimum price, area of market, etc., in the sale of its wares. (2) By establishing some definite machinery—some central selling agency, known in Australia as a pool and in Germany as a kartell—which takes out of the hands of the producers the sale of their goods, and thus controls prices in the interests of all. (3) By merging various competing or inter-related firms into one unit, with a central board of control for all, which orders production and sales alike. Of the three types, the first is found the world over; the second is most common in Germany, the third in the U.S.A. Australia provides instances of all three.

Beginnings. Attempts to limit or abolish competition are as old as trade itself. Aristotle, writing about 350 B.C., declared that "the endeavour to secure oneself a monopoly is a general principle of finance," and gave an account of two "corners." All through the Middle Ages men attempted to corner supplies of foodstuffs, etc., by buying up all available stocks, and municipal and central governments frequently hurled decrees against such actions. Many industrial and commercial groups in the 17th century secured official grants of monopoly over the industry in which they were engaged or the area to which they traded. But the trust in its modern form does not appear until the Industrial Revolution had worked out some of its chief results. In the various boom periods described in the last chapter, new firms arose to compete with old ones, and for a time took advantage of the flowing tide of prosperity. But when the crash came it was seen that there were too many firms in existence. Competition became very keen, plants worked at only a fraction of their productive capacity, and prices were unprofitably low. Capital and labour alike suffered, and so men began to feel that competition was not nearly so blessed as the politicians and economists said it was. Something must be done to remove the worst evils; competition must be limited in its severity if industry was to continue.

This feeling first made itself felt in America, and that country became the birthplace, and later the stronghold, of the trust. The American Civil War was followed by an outburst of industrial development. Industries and railways shot ahead, and finally went beyond the needs of the country. There were too many factories, too many railways. Hence, when the collapse came in 1873, those firms which survived were driven to fierce competition and consequent price-cutting. At one time so keen was rate-cutting on long-distance journeys that it was possible to travel from Chicago to Kansas City, a distance of over 400 miles, for 2/1. Such a state of affairs threatened to overthrow the whole economic system, and in sheer self-preservation the first anti-competitive step was taken.

Rings. The first stage was marked by the widespread entrance into agreements or the formation of associations. Rival producers met together, and came to an agreement for their mutual salvation. The agreement, which was generally unwritten—an honourable understanding—might be of three kinds. (1) A *price* agreement. Henceforth, although all the rivals were to compete as before, no one was to allow his goods to be sold below a certain minimum price, which would guarantee a sure profit on each sale. (2) An *output* agreement. In order to prevent the market from being glutted, each firm was to limit its production to a certain maximum amount. By this step

all the goods placed on the market would find a sale, and the absence of any surplus would enable good prices to be obtained. (3) A *province* agreement. Formerly all producers had competed for orders all over the country, and competitive costs were therefore high. Henceforth A was to be given the monopoly of the New York market, B that of Chicago, C that of Pittsburg, D that of Boston, and so forth. Each man in his own particular area was to be free from the competition of other members of the ring. In this way he was assured of a safe market to exploit, and could fix his own prices and output.

Of such agreements there were many during the seventies and eighties of last century, in the salt, steel, cordage, whisky, and other trades. Since that time associations have been formed for nearly every trade, from lumbermen and ice-cream makers to milliners and stationers. Their general motto is "co-operation not competition, is the life of trade," and co-operation means joint action for "price stabilization." But the method has its weak spots. There may be no machinery to enforce the agreement or detect breaches of its terms. Fines may be provided for, but how are the offenders to be discovered? In the seventies members broke their bond with impunity. If trade was growing they exceeded their output, reduced their prices, and trespassed on others' preserves in their desire to annex the lion's share of the new trade. If trade was bad, they did the same to avoid bankruptcy. Further, in 1890, Congress declared that the agreement was illegal because it was in restraint of trade, and hence it was impossible to bring any offender to court. For big industries some better device therefore must be invented. In Germany the ring was improved upon; how, we shall see later. In America it gave place to the trust proper.

The Trust. The trust proper had its origin with John D. Rockefeller, whose little oil-refining venture, begun in 1865, grew until it eventually controlled 80 per cent. of the United States oil supply. Within five years of commencing operations, Rockefeller was refining 4 per cent. of the total American output, and in 1872 made an agreement with five of the biggest rival firms, by which all promised to cease under-cutting each other. The ring then went on to demand cheaper freights from the railway companies; this obtaining of discriminating rates, amounting in cases to a reduction of one-half the usual freight, put them in a strong position, and by 1879 the ring controlled 95 per cent. of the oil refineries, and the railway companies were quite under its thumb. The oil-producers and consumers rose in revolt, and Rockefeller was threatened with law-suits and possible penal legislation. But such attacks only drove the ring to make a stronger organization, and in 1882 the Standard Oil Trust was established. Some 40 companies were concerned, and the shareholders in these firms handed over to nine trustees their share scrip, receiving in return trust certificates. The nine trustees were the trust, and as they held all the shares in their hands they were able to direct the policy of the 40 firms. They re-organized refining and sale, shut down unprofitable works, reduced competitive costs, and ran the whole group of refineries as one concern. Thanks to their strength, they were able to browbeat the railways and dictate terms to the oil-producers and buyers. Then at the end of the year they paid to the trust certificate holders the profits which had been made.

The trust method proved highly successful, and the dividends of this first venture rose from 5¼ per cent. in 1882 to 12 per cent. in 1891. As such results became known, other industries followed Rockefeller's example;

whisky, sugar, lead, tobacco, etc., all became trustified, and flourished. Soon the wider effects of the movement began to be felt. Primary producers, consumers, workmen, railways, and rival dealers found themselves faced by the all-powerful trust, and to their eyes it became something of a demon.

When the full significance of the trust policy dawned upon the mind of the American public a great howl of rage went up on every hand, and an angry people demanded that this new monster should be slain by legislation. In response to this call, about 20 states passed anti-trust laws between 1887 and 1890. The Federal Government awoke to the situation, and in 1890 the Sherman Act was passed. This law was based upon the old English common law idea that nothing must be allowed to interfere with full and free competition. Any restriction on the freedom of exchange was illegal. Therefore agreements and trusts were illegal. The Sherman Act declared that "any contract, combination, in the form of a trust or otherwise, or any conspiracy in restraint of trade" was illegal, as was any attempt to monopolize any part of trade or commerce. Persons convicted of such illegal acts were to be punished by a fine not exceeding £1,000, or by imprisonment not exceeding one year, or by both. The Attorney-General was instructed to prosecute any trust which did not immediately dissolve, and any man who could prove that he had been injured by trust attacks could claim three times the amount of the damage sustained.

The Failure of "Trust Bursting." For the moment it seemed as if the Sherman Act would kill the trust; but soon people realized that the passing of the Act had simply ushered in a battle of wits between the trust magnates and the government. Trusts had proved themselves too valuable to be allowed to disappear at the word of the legislator. Hence every attempt to smash them was met by strenuous opposition or by a change in the shape of the organization. Financial interests had a sufficiently strong grip on the governing machine to prevent prosecutions from being undertaken; should a trust be dragged into court it secured the services of the most able lawyers, and frequently won its case on a purely technical point. If it lost, it disappeared from view for a time—nominally dissolved—only to appear again shortly in a different and, often, a stronger form. For instance, the Standard Oil trust was dissolved in 1892 into 20 constituent companies. But instead of each shareholder receiving back his original shares in one company, he was given a few shares in each of the 20 companies. The big shareholders, such as Rockefeller, thus became the chief holders in the separate companies, and were able to dictate the policy of each as effectively as they had done in the old days.

This new arrangement, however, did not work well, and so a better way still was sought. It was found in a law, passed in New Jersey in 1889, which allowed "holding corporations" to be formed. A holding corporation was a company established, not to buy produce or sell goods, but to buy shares of other companies, paying for them with its own stock. Thanks to this device, the trusts were able to ride roughshod over the Sherman Act. For instance, in 1899 Rockefeller established a Standard Oil Holding Corporation. This company set to work to buy up a majority of the shares (51 per cent.) of the various companies formerly in the oil trust. They were paid for by giving the seller shares in the holding corporation. Then, when the new company had acquired its 51 per cent. it had a majority of votes at the shareholders' meetings of the different companies. It could elect its own men as directors, shape the policy of each unit, and so work the whole on a united plan.

The Billion Dollar Trust. The holding corporation quickly became a popular idea, and between 1898 and 1900 149 such companies were formed, with a total nominal capital of £700,000,000. But in some cases the new trust was not satisfied merely to acquire a majority of the shares. Why should it earn high dividends for the minority shareholders as well as for itself? Hence many corporations set out to obtain all the shares in the component companies. Chief among these was the United States Steel Corporation, established in 1901. This trust was really a trust of trusts, and gathered under one control the ten big companies which at that time dominated the American iron and steel industry. The corporation took them over, and gave to their shareholders its own share scrip to the value of over $1,100,000,000—hence the popular name applied to it, "The Billion Dollar Trust." Of this vast nominal capital Carnegie was the chief holder, receiving $213,000,000.

Trust Methods. The American corporations show trust methods in their fullest development. The chief features are as follows:—

(1) When the trust is established, the less efficient works are closed down and their orders handed over to those which are better equipped. The Sugar-refining Trust began by shutting up 18 out of its 24 establishments, the Whisky Trust abandoned 68 out of its 80 distilleries.

(2) The remaining works are organized and used to the highest possible pitch. A small board of directors at the head controls the whole policy, and receives daily reports from each works. Each branch manager is pitted against the rest, and gently persuaded to increase his output to the utmost. In order to get the most out of the industry, the trust is willing to pay good salaries to its responsible men, and spend money on scientific investigation.

(3) The trust aims at owning all the plant and sources of supply necessary for its work. The Steel Corporation has its own iron ore deposits, its own ships, railways, coal, limestone, and gas supplies. The complete plant for turning the raw iron into any kind of steel goods is in its hands, and finally it has its own selling and distributing organization. This complete control of all processes and needs is known as integration. But integration is taken even farther. A trust recognizes that it is to some extent dependent upon the financial, railway, and other concerns. Therefore it strives to get as its directors men who have big interests in these various branches of business. A steel trust will try to get bankers, railway magnates, ship-owners, oil kings, etc., on its board, so as to create friendly relations with possible customers, rivals, and other men who are in a position to do harm or good. This policy of interlocking directorates is a common feature of business control everywhere to-day.

(4) The trust endeavours to dominate the local, and, if possible, the world market. This it does either by killing rivals or by coming to terms with them. It will sell its goods at a loss for a time in order to capture the trade from a rival. It will refuse to supply goods to agents who persist in stocking those of a rival firm. It will establish its own shops. Failing to crush a rival, it will suggest an honourable understanding, by which prices are kept up or markets shared out. In order to capture some foreign market, or prevent a glut in the home market, it will resort to dumping—*i.e.*, selling its wares at a lower price abroad than is asked at home.

(5) The trust is able to take up a strong attitude in politics, and present a solid front to labour. President Wilson once described the American government as the "foster-child" of the big interests. In its dealing with

labour the relations are sometimes friendly; more often they are not. Subdivision of labour is carried to an extreme point, labour-saving machinery is highly developed, and the majority of the workers are therefore semi-skilled operatives who toil endlessly at some small repetition process. The trust refuses to recognize any union containing people or leaders who are not its own employees. It may establish extensive schemes of welfare work and profit-sharing. But at the same time the conditions, especially of the lower-paid labourers, are frequently very bad. An investigation into the causes of the 1919 steel strike showed that one-quarter of the Steel Corporation's employees were working 12 hours a day for seven days a week, that nearly three-quarters were getting wages below those necessary for the maintenance of a decent standard of living, and that black lists, detectives, and other devices were employed to fight any attempt at organization.

Difficulties and Limitations. The path of the trust it not all strewn with roses, and combinations have not always been unqualified successes. This is due to many causes. (1) America is such a big country that it is almost impossible for a trust to get control over all firms and sources of supply. Scarcely any organization (except the meat ring and the tobacco trust) has been able to get a grip on the foreign market. In the steel trade international agreements have achieved some success, but in the oil industry Rockefeller has met with strenuous opposition from other oil interests. The governments of Great Britain and Germany defied the Standard group, the former by acquiring oilfields in Persia and then Mesopotamia, the latter by establishing an Imperial oil monopoly to break the Rockefeller grip in Germany.

(2) The mental strain of controlling a huge trust is so great that few men can do it successfully. Harriman ruled the American railways with a strong hand, but on his death there was no one capable of taking his place, and the trust slowly fell to pieces.

(3) If a trust tries to push its prices too high it causes a decline in the demand for its goods, and at the same time calls in new competitors and makes possible the importation of foreign goods. This happened in the steel industry, for independent producers grew at the expense of the Steel Corporation.

(4) Many trusts are over-capitalized at birth. Their plant is worth, say, $700,000,000, but they have to make profit for $1,100,000,000 of shares. Hence dividends tend to be low on common stock, and a depression smashes up the organization. Every trust, therefore, aims at "squeezing the water" out of its stock by increasing its assets.

(5) The state has begun to deal more courageously with the trusts. For many years the Sherman Act lay unused, or was evaded by some change in trust organization. In 1903, however, the Bureau of Corporations was established to make enquiries into the organization and conduct of trusts with a view to legislation or court proceedings where necessary. In 1904 holding corporations were declared to be illegal. During Taft's presidency (1908-1912) the Oil and Tobacco Trusts were ordered to dissolve, and Dr. Wilson was elected President in 1912 partly because of his attitude on the trust question. As he declared, the earlier administrations had "roared against the trusts like any cooing dove." In 1913 the National Cash Register Company was convicted under the Sherman Act, and proceedings were commenced against the Sugar and Steel Trusts. The tariff was amended

to permit more foreign competition, pig-iron and steel rails being placed on the free list.

In spite of these obstacles the trusts have since 1914 grown stronger, more numerous, and more prosperous. In 1918 the Steel Corporation had net earnings of $200,000,000 from which to pay its bond and share holders. Government policy has pursued two distinct tracks. On the one hand the Sherman Act was amended in 1918 by the passage of the Webb Act, which declared that trusts or associations formed for foreign trade, whether buying or selling, would not be regarded as illegal. On the other hand the grip which the ring of five big packing firms had secured over the food supply of the country frightened the nation, and led to investigation (1918). It was found that the "big five" had been manipulating the live stock markets, restricting national and international supplies, controlling the price of dressed meat and other foods, crushing competition, and securing special privileges from railroad and dock companies. The international ramifications were world-wide, and threatened to produce a meat trust which would control the supply of every nation. In January, 1921, the Senate passed a bill creating a Live Stock Commission to regulate the meat-packing industry. What effect this will have remains to be seen.

Trusts in Great Britain. It used to be the proud boast of Free Traders that Britain had no trusts. To-day that boast is forgotten. England was once the "classic home of competition," and until the eighties of last century competition was regarded as a thing ordained by providence. But in 1919 there were over 500 trusts or rings in existence in the country. The movement towards combination began about 1890, and until 1914 had made less progress and achieved far less success than in Germany or America. Its greatest expansion came with the War.

The slow growth prior to 1914 was due to many causes. (1) The free trade policy deprived industry of any artificial protection. If a British trust could absorb all internal competition, it still dare not raise its prices too high or the consumer would soon find a stock of foreign wares at his service. (2) British industry enjoyed little natural protection. The cost of carrying goods from Belgium, France, Germany, or America was so small that it gave the British maker only a small advantage over his foreign rivals. Where a country is isolated, or the cost of transit to it is heavy, its industries enjoy an advantage which enables them to become trustified. (3) Some British industries are scattered and in many hands. The textile trades are mostly carried on in hundreds of moderate-sized factories, the capital cost of which is not very great. The 3,000 coal mines, owned by 1,700 companies, are situated in seven chief areas which lie in different parts of the country. Hence it was wellnigh impossible to get combination or harmony among so many rivals. The Rhine coal industry, on the other hand, is in the hands of a few men, whose mines lie near together; combination is therefore possible, and has been most successful. (4) Britain has no monopoly, or even any large supply, of any special raw material on which to build up a trust. Its raw material is chiefly obtained from abroad. At the same time, however, the need for securing access to these raw materials has been responsible for the development of vertical combinations, as we shall see in a moment. (5) Before 1914 Britain had a large reserve of capital available for investment in any industry which showed especially large profits. Should any particular trust succeed in pushing prices to a highly profitable level, some of this capital would be invested in new works for that branch of

production, and would undersell the trust in order to capture the trade. (6) A great part of British industry before the war was producing for foreign trade, and here it usually proved difficult to abolish competition. International agreements for sharing out and controlling the world's markets have been successful only where industry is in the hands of a few big producers, catering for a few big consumers—*e.g.*, the armament industry.

For these reasons the trust movement could not gain a strong grip on British industry. Manufacturers were compelled to rely for their profits upon efficient management, up-to-date quality production, and low wages, rather than upon any advantage which a trust might give them. And yet instances of rings, kartells, and corporations were to be found, growing in number and in strength, in pre-war Britain.

Some Instances. In the early days of the gas and water companies rival concerns were permitted to exist in the same area, though usually they soon came to some agreement. From 1592-1844 the Newcastle coal-sellers maintained agreements restricting output and regulating prices, but this "vend" broke down when railways made it possible to bring coal from other areas. From that time onwards the great bulk of British coal was sold under competitive conditions. In South Wales the late Lord Rhonnda succeeded in establishing a small but profitable trust, which has flourished because it controls a quality of coal which certain buyers insist on having—*i.e.*, Cardiff coal.

By 1886 the success of the trust in America had begun to attract attention in England, and attention led to imitation. Agreements gradually became popular, but were not always effective. About 1900 the railway companies began to fix uniform fares and freights, with interchangeable tickets. Competition was no longer allowed to cause rate-cutting, and the only way in which a railway company could capture trade from its rivals was by giving a better and quicker service, with more luxurious passenger accommodation. Shipping rings or "conferences" began in similar fashion to control freights and fares on most ocean routes. The chief feature of the shipping ring was its system of deferred rebates. A refund of 10 per cent. on the ordinary freight was made to those who used only the ring's steamers; but the money was not paid until six months after the cargo had been sent. If in the meantime the shipper had sent any goods by an outside line he ceased to be regarded as a "loyal" customer, and lost his rebate. The shipping world, however, has not stopped at the ring stage; as we shall see later, it has gone on to the trust.

Many rings formed in other industries failed. This was due to the fact that prices were fixed too high, thus calling in home and foreign competition, or was the result of disloyalty to the compact. An ingenious attempt was made in the nineties in Birmingham to check and punish violations of agreements. In 1892 the Birmingham Bedstead Alliance was established. It fixed the prices of bedsteads so as to give every maker, however small, a profit. It entered into an agreement with the trade unions to pay wages on a sliding scale proportionate to the prices of bedsteads, give a bonus of 10 per cent. on those wages, and employ only union labour. If any manufacturer broke his bond to the ring his workpeople were to strike, and be supported by a fund provided by the employers. This alliance of capital and labour against the consumer promised well; within eight years prices and wages doubled. Then came foreign competition and violation of the agreement by three of the biggest firms. The strike fund

was soon exhausted, and the Alliance broke up in a most undignified manner. So failed one effort to make the pool watertight. There were many such.

Of trusts proper there have been several. The Imperial Tobacco Company, with a capital of £17,500,000 (1914), is the result of many amalgamations, and controls the greater part of the British tobacco trade. Some branches of the textile industry are carried on by men who possess almost a monopoly of their trade because of their specialized skill and the excellence of their goods. Hence, free to some extent from outside competition, they have formed trusts by amalgamating formerly competing works—*e.g.*, the Bradford Dyers' Association. In some cases such trusts have pursued chequered careers because of their over-capitalization and defective management. Few firms have been willing to hand over their management completely to the trust heads, and the resultant policy has lacked uniformity. Perhaps the two most successful trusts are those which control the British and even the world's thread trade and soap trade. The thread firm of Coats was established in 1826 at Paisley. By 1890 it had a share capital of £5,800,000. During 1895-6 Coats amalgamated with his four chief competitors, raised the capital of the firm by another £4,000,000, and obtained a controlling interest in many smaller companies. Then came the purchase of a big Belgian rival, and the establishment of factories in America and on the mainland of Europe. Thus a big world monopoly was built up; thanks to the comparative absence of competition prices could be raised; thanks to the efficient equipment and management the working costs were kept down; the planting of factories inside protected countries made possible the evasion of tariffs, and the whole organization has therefore paid 35 per cent. profit for many years past, while at the same time building up vast reserves. In 1920 these reserves had grown to £10,000,000, and were therefore capitalized, thus doubling the share capital of the company. In similar fashion Lever Bros., Ltd., grew to be the colossus of the soap world, with a share capital of £40,000,000 in 1917, and much more since then.

Integrations. The British iron and steel trade has passed into the hands of a few big companies, and hence created conditions favourable to trust methods. In some cases rival firms have combined; but the chief development has been towards integration. This has been done with a view to ensuring a constant supply of raw materials on the one hand, and a ready market for one's products on the other. For instance, Cammells (steel producers) in 1903 joined hands with Lairds (engineers and shipbuilders). Lysaght, of galvanized iron fame, began with rolling mills, but soon found it necessary to secure control over ore deposits, blast furnaces, and steel-making plant. John Brown & Co., of Sheffield, built up, by amalgamation and absorption, a completely independent economic unit. It owns ore mines in Spain, coal mines in Yorkshire, limestone quarries in Derbyshire; it has coke ovens, blast furnaces, steel converters, and mills for producing any kind of heavy steel goods. It has control of factories engaged in making cannon, projectiles, small arms, and ammunition; it owns engineering and ship-building works at Clydebank, and has a strong interest in Harland and Wolff, shipbuilders, of Belfast. Hence it can turn out almost anything in the iron and steel lines, from pig-iron to a super-dreadnought or 50,000-ton liner.

Thus, to sum up, successful trust action before the War was limited to those industries where a monopoly of specialized skill existed (dyeing), where foreign competition was impossible (railways), where some special

product was concerned (Cardiff coal), where world competition could be crushed or conciliated (soap and thread), or where industry was in the hands of a few big units employing large capital (iron and steel).

British Trusts since 1914. The War gave British industry both natural and artificial protection, and in various other ways produced conditions highly favourable to the growth of trusts in number and strength. The Board of Trade encouraged the formation of associations, especially for pushing export trade after the War, and the government generally preferred to deal with organizations rather than with individual firms. Hence an official investigation into the growth of trusts reported in 1919 that it found "in every important branch of industry . . . . an increasing tendency to the formation of trade associations and combinations, having for their purpose the restriction of competition and the control of prices. Many of the organizations . . . . (had) been created in the last few years."

The most important developments were in shipping and banking. The P. & O. gradually absorbed most of the lines serving Asia and Australasia, buying them out by giving cash and big pieces of specially created stock. In the banking world amalgamation, which since 1891 had reduced the number of private banks from 37 to 6, and that of joint stock banks from 106 to 34, accelerated its pace in 1918. Giant banks fused; by 1919 85 per cent. of British bank deposits were controlled by five banks, and a committee which inquired into the matter in 1918 declared that something approaching a money trust might emerge at "a comparatively early date." In 1918 25 explosives concerns amalgamated into one company with a capital of £18,000,000; 1919 saw Vickers, Ltd., cast its cloak over the production of rolling-stock, electrical machinery and equipment, and train brakes. Big London multiple stores absorbed provincial firms, one London theatrical group secured control over nine theatres, and in the Lancashire cotton industry scores of factories were amalgamated under one board of directors. One big feature of these developments is the increased capital on which production has to pay dividends. Generally shareholders were given about one and a half or two shares in the new company for every one they held in the old one, and so if the abnormal profits of 1919 subside to smaller figures it may be found that many of the new trusts are unable to pay a satisfactory rate of profit on their capital.

British industry faces the post-war period organized in phalanxes. Internal competition has been limited, and giant groups of capital in Britain face similar big groups in other lands. Whether the future will see these rivals lock in deadly struggle or amicably come to terms the future will show.

German Trusts. Germany's economic progress after 1871 was rapid but uneven. She had her crises and severe depressions; she suffered at times from over-investment and the results of speculation. Though free from unrestrained foreign competition, she felt to the full the effects of internal rivalry. Hence there emerged a trust movement, but under different conditions and with different results from those of the United States. On the one hand the railways were state-owned, and so it was impossible for any trust to obtain discriminating rates as Rockefeller did. On the other hand, German law recognized agreements in restraint of trade, and allowed a ring to bring into court any member who violated the agreement. The trust, therefore, was not driven, as in America, to evasions of the law and

various other subterfuges in order to carry out its plans. It could work in the open, and its existence and methods were known to all.

The Kartell. The first trusts, formed after the depression of 1873, took the form of rings. These worked badly, for the usual reasons; so the German capitalists sought to repair their defects, while retaining the general principle. The ring was improved upon, and the better form of control became known as the kartell. So successful was it that in 1906 no less than 384 kartells were in existence, covering the coal, iron and steel, chemical, textile, rubber, paper, glass, bricks, food, drink, and electrical industries. The chief were established in the iron, steel, and coal trades, and the best idea of their nature can be obtained by examining the Westphalian Coal Kartell.

This kartell was established in 1893, and was to run for five years; it was renewed till 1905, and again till the end of 1915. The arrangement was thus a temporary one, terminable unless renewed at the end of a certain time. It covered the activities of about 170 mines, on the richest coalfield in Europe, producing over 50 per cent. of the coal supply of Germany. These mines had tried in vain to maintain agreements, and were therefore at the mercy of the ironmasters and other coal buyers. The kartell, therefore, was established to take the selling completely out of the producers' hands. A central sales bureau was established at Essen. It fixed the maximum output for each mine. All coal produced must be sold to the bureau at a "taking-over price" of, say, 7/6 per ton. The bureau then sold the coal to consumers at as high a price as it could get, and after taking off a small sum for working expenses handed over to the producer the difference between the taking-over price and that paid by the consumer. In this way the producer lost all chance of under-selling rivals, and since there is only one seller the prices could be kept higher than if all the mines were competing.

The prices at which goods were sold by the bureau depended on the presence or absence of competition at the place where the consumer lived. In 1905 coal-buyers in Essen had to pay 12/6 per ton, because the Kartell had a monopoly over the mines in that area and coal could only be brought from other fields at considerable cost in freight; but at Dessau, 300 miles to the east, where Westphalian coal had to compete with that of Saxony and Silesia, the same coal was sold at 11/7½. Further, a kartell might allow more goods to be produced than the local market could absorb, and then dump the surplus abroad. For instance, in 1900 Essen coal sold for 10/9 in Essen, and for 9/10 abroad.

The kartell plan worked quite well, and largely realized the aims for which it was formed. It was especially suitable for handling crude or standardized commodities, such as coal, pig-iron, raw steel, fertilizers, etc. For manufactured articles it was not so useful, and so Germany also had her big corporations and monopolistic enterprises. Integrations were built up, some of them complete and powerful. Since the War two lines of development can be traced. On the one hand, big units have grown bigger, amalgamations have been common. On the other hand, plans have been formulated for subjecting all the independent firms in any industry to the general control of a trade parliament, containing equal representation of employers and employees. The policy of the trade parliament, which is to be carried out by an executive, is to regulate production, to control distribution of raw materials, to further efficiency, to organize sale and

eliminate unnecessary competition, and to promote research work. This machinery may in practice remain merely a ring for price-fixing, output-determining, or market-dividing; it may possibly go on to undertake distribution as the kartell did; or it may lead to the full amalgamation of the various firms.

Trusts in Australia. Australian industries have passed during the last 20 years into the hands of trusts, and competition to-day is probably as restricted in Australia as in any other part of the world. The trust movement has been most marked since 1900, and has gained a strong grip upon some branches of primary industry, manufacture, the sale of imported and locally made goods, and interstate shipping. The result of all this activity has been summed up by a recent writer (H. L. Wilkinson) as follows:—"The trust movement, while increasing the economies of production and distribution through the elimination of competition, has been responsible for the far greater profits being taken by the owners and controllers of the industries involved in it than would have been the case if there had been no restraint of competition. In Australia in several services the addition in prices due to a trust taking control has been very appreciable. On the other hand, much wasteful competition has been eliminated, and combinations and agreements have led to improved efficiency and a reduced cost of production."

Conditions Favourable to Trusts. Australia presents most of the conditions necessary for and favourable to successful trust operations. (1) The geographical position of the continent offers a natural protection to Australian goods. The nearest competitor is Japan, 6,500 miles from Sydney, while American and European goods have to be brought an even greater distance. This advantage is, however, reduced considerably by the comparatively heavy freights on interstate traffic. Railway interstate charges are heavy, and the interstate shipping companies, on which Australian domestic commerce really depends, demand freights which give the local article very little advantage in another state over the imported wares. Before the war a German piano could be brought from Hamburg to Brisbane for little more than it cost to send an Australian piano from Melbourne to Brisbane. During the same period the freight between Melbourne and Fremantle was for many classes of goods almost the same as that between Melbourne and London, via the Cape, and thus the isolation which should give Australian industries a chance to beat their foreign rivals is in many cases rendered worthless, or is used as the basis of a shipping trust.

(2) The congregation of half the population into the capital cities places industrial and financial control in the hands of men who work near each other, and can therefore act more easily in unison. The economic life of each state is controlled from the capital, where the chief offices and factories are situated; hence the heads of rival firms know each other and tend to combine. Further, these capitals are so far apart that each enjoys a local monopoly, especially for industries dealing with heavy goods, perishables, printing, etc.

(3) The tariff gives a high artificial protection to manufacturers.

(4) The growth of trade unionism and industrial legislation has indirectly fostered the spirit of solidarity among employers. Organizations of employers soon arose to confront organized labour in the eighties of last century. Since 1896 wages legislation has tended to view employers in each trade collectively; it has been based on the idea of the existence of two "sides," capital and labour. The result has been to bring rival employers

together in order to decide upon their attitude in the Industrial Court or on the wages board. From discussions on wages the transition to other topics has been easy, and thus the system of wages regulation has generated a sense of unity among employers, a unity which has made possible trust agreements.

For these reasons the trust movement in its many forms has become firmly rooted in Australian soil, and rings, kartells, monopolies, and corporations exist and flourish.

Some Rings. Of the many agreements by which competition among doctors, lawyers, surveyors, banks, commission agents, and others is limited little need be said, except that the professional classes in Australia, like the wage-earners, are probably more strongly organized than in any other part of the world. The ring idea has been adopted in scores of industries, and is the most common form of trust in Australia to-day. Hairdressers, licensed victuallers, master bakers, dairymen, cobblers, fruit producers and sellers, etc., all have their associations, which control prices and the general conditions of sale. Such associations seldom cover the whole industry, for generally some members of the trade refuse to sacrifice their liberty to undersell. In such cases the pool often has at its disposal some method of crushing a non-member, such as asking wholesalers and manufacturers to refuse supplies to the outsider. A typical ring is that which controls prices in the printing trade. After an era of excessive competition master printers came together and established associations in each capital. Each organization compiled a list of minimum rates for every conceivable kind of work. Hence a customer finds that all firms charge about the same price for any piece of work, and interstate agreements will prevent him from getting the work done any more cheaply in another state.

The Shipping Combine. The biggest ring in Australia is that which controls interstate shipping. Before the war the interstate coastal trade amounted to about £50,000,000 yearly, with some 180 steamers engaged therein. That trade is almost completely in the hands of seven large companies, who by agreements about freights, fares, etc., have raised charges much above those prevailing in the days of smaller, older, and less efficient ships. Thirty years ago the trade was carried on by many small lines owned by individuals or little companies. Between these there was keen competition, resulting in the crushing or buying out of the weaker lines by the stronger, until by 1896 seven large companies had emerged. This reduction in the number of competitors only accentuated the fierceness of the rivalry. Low freights and fares were the rule.

The advent of Federation and of interstate free trade opened the way for a big increase in the coastal trade. At the same time the competing companies saw the folly of their policy, and determined to co-operate rather than compete. There was plenty of work for them all. Why, therefore, continue a fight which benefited no one except perhaps the travelling public? In 1901, therefore, the Steamship Owners' Federation was formed, and four results were soon apparent. (1) A province agreement was made. Tasmanian and New Zealand trade with the mainland was given over completely to the Union Steamship Co. and Huddart, Parker, Ltd., and the remaining companies divided out the mainland traffic among themselves. The small coastal lines were allowed to carry on a state traffic, provided they did not enter into interstate work, except between Tasmania and Victoria. (2) A price agreement was reached. The former rate-cutting came to an end, and uniform

charges became the rule. Though one may have the choice of travelling by three or four lines, the fare by each one is the same. (3) A system of deferred rebates was established. In order to bind shippers and agents to the combine, and so prevent the growth of any rival companies, the Federation agreed to grant deferred rebates of 10 per cent. to loyal shippers. The rebate was not to be paid until a year after the goods were sent, and if in the meantime it was discovered that the shipper had patronized any line outside the combine, the refund was forfeited. Thanks to this bait the companies gained abundant loyalty, and no outside line had any hope of successful rivalry. By 1910 the rebate had done its work. Competition had been killed, shippers could not be disloyal if they wished. In that year, therefore, the rebate was discontinued. (4) The Federation became the means by which the shipowners fought the seamen's unions.

Success attended the operations of the shipping companies once the pool was formed. Fares increased 50 to 70 per cent. between 1901 and 1914, and freights even more on some routes. Against this it may be urged that the accommodation and speed of the ships to-day are far superior to those of 1900. True; but the new steamers have been almost entirely paid for by the travelling public out of the abnormal freights and fares. The balance-sheets of the various companies show dividends of 10 to 15 per cent., although the stock has been plentifully and frequently watered. But the general policy of the companies is probably not one which is most conducive to the development of Australian industries. The high freights have practically nullified the advantages of interstate free trade; they have facilitated the formation of local trusts and monopolies; they have destroyed the natural protection which Australian industries should enjoy by reason of our geographical isolation. Finally, by their control over the coal trade the shipping companies dominate the industrial progress of all the states. Let us see how this coal monopoly works.

The Newcastle Coal Vend. As early as 1891 the mine-owners of the Newcastle area were endeavouring to restrict competition, but for many years their efforts met with little success. In 1902 a new effort was made to fix prices, and give mutual help in labour disputes, but the scheme came to grief. In 1906, however, the Newcastle Coal Vend was set up, and has operated successfully since that date. The unsigned agreement which was accepted by all members of the vend provided for the fixing of (a) a maximum output for each mine; (b) a minimum price, which is revised from time to time. The effect of this combination has been an increased price of coal at the pit-head and bigger profits. On the whole, it seems that these increases were not beyond the point of giving a fair return to the owners. The real grievance in the coal supply came from the agreement between the vend and the interstate shipping companies. Up to 1906 the sale of Newcastle coal in other states was in the hands of four shipping companies and two or three coal merchants. In 1906 an arrangement was made whereby these companies and merchants were given the monopoly of sale for Newcastle coal outside New South Wales. The vend promised to sell coal for other states to these dealers only, and the shipping concerns consented in return to ship no coal but that of the vend.

This agreement has been responsible for excessive increases in the price of coal in all the states concerned. The Victorian railways in 1905 were paying 10/6 per ton, in 1910 15/5. The South Australian railways in 1906 paid 11/9, in 1910 17/-. Retail dealers in Adelaide had to pay 26/3 in 1910,

as against 17/- in 1906, and throughout the southern states of Australia similar increases were extracted. The effect of this has been very serious on industries in those states where no good coal supply exists, while the heavy cost of railway fuel is a distinct detriment to the development of cheap and adequate land transit.

Corporations in Australia. The trust movement has not confined itself to agreements; we find several amalgamations, with a number of firms merged under one control. Chief among these are the tobacco, jam, and sugar trusts. Before Federation there were many jam factories in the different states. Competition was keen, and while the price of jam was low the prices obtained by fruit-growers were often good, because there were many competing buyers for the fruit. After Federation the whole Australian market was thrown open to interstate competition, and the large factories of Hobart and Melbourne beat down their smaller rivals. Eventually the industry became concentrated in the hands of two Hobart firms—Jones and Peacock—and a few rivals in Melbourne and Sydney. Gradually, Henry Jones entered into association with some of these rivals, thus giving unified control over the big factory in Hobart, two factories in Melbourne, one in Sydney, and a large fruit agency in London. In 1910 the amalgamation became complete by the forming of the "holding corporation" of Henry Jones Co-operative, Limited. This corporation not merely took control over the factories just mentioned, but spread its cloak over the three chief remaining firms, thus acquiring an almost complete monopoly and a unified policy of control. The company is almost the only buyer of jam fruits, and therefore can fix its own prices, except where the growers have co-operated in self-defence.

The tobacco trust enjoys a monopoly over the Australian tobacco market, and is one of the few instances of a foreign trust with a footing in the Commonwealth. (Two others are the American Meat Trust and Lever Bros., Ltd.) Prior to its formation, the trade was in the hands of importing firms (American, British, and Australian), manufacturers (American and Australian), and an American company containing some Australian capital. Amalgamations took place, and eventually a holding corporation, the British Tobacco Co. (Australia), Ltd., was set up in 1903 with a capital of £5,000,000.

At once the results were seen. Travellers were dismissed, and advertising expenses reduced; at least one factory was closed, and the trust brands were pushed everywhere on retailers. Hostile newspapers soon changed their tune or disappeared from circulation, and retailers were compelled to sell at prices fixed by the trust. Prices went up, but this increase was not accompanied by any grant of higher rates to the Australian grower. The fusion of many companies into one put the growers at the mercy of one buyer, who could fix his own price. Lower and lower prices were offered, growers were driven out of the industry, and the percentage of Australian leaf used in factories fell from 27 per cent. in 1902 to 11 per cent. in 1913. Finally, in order to win the tacit support of its employees the trust gave excellent industrial conditions, well ventilated and lighted factories, good wages, and a profit-sharing scheme which in some respects is the best in the world. The holding corporation declares a regular £500,000 profit, but the profits of the constituent companies are not divulged.

The Sugar Monopoly. The last trust worthy of note is the Colonial Sugar Refining Company (C.S.R.). The sugar industry is in three parts—the growing of the cane in Queensland and northern New South Wales, the

extraction of the sugar by cane-crushing machinery, and the refining. The third process is controlled by the C.S.R., which, formed in 1854, gradually killed or absorbed nearly all rival refiners. Hence, it is able to fix the price at which it will buy raw sugar from the cane crushers. It is getting the mills definitely into its own hands, and to-day crushes over one-third of the Australian cane crop. This enables it to control the price given to the cane-growers, and so the planters find themselves between the upper millstone of the millers' offer and the nether one of labour demands. The refiner profits highly, the miller may do well, but the grower, who is the basis of the industry, and the most valuable person from the point of view of settling the tropics, fares badly, and gets a bare living. The generous bounty system and protective tariff which Australia provided to encourage a white industry has benefited few but the refining company. Out of its huge profits the company has been able to build up plantations in Fiji and refineries in New Zealand. In 1913 it capitalized £250,000 of reserves; three years later it produced £3,250,000 of hitherto undisclosed assets and proceeded to use them as the capital of the C.S.R. (Fiji and N.Z.), Ltd. All these shares it gave to its shareholders as a bonus. It pays a steady 12½ per cent. profit. So strong was the concern that in 1911, when the price of sugar was raised £3 10/- per ton in about three months, a Royal Commission was appointed to inquire into the whole situation and suggest remedies. The Commission recognized, on the one hand, that the company had brought a high standard of efficiency into the work, and that its industrial methods were better than those which would prevail were the industry to go back into the hands of many small competing firms. On the other hand, it pointed out the injustice of low prices to the grower and high prices to the consumer, and suggested (1) that the price of raw sugar should be fixed on a sliding scale by the Interstate Commission, and the price of cane by boards representing the growers, millers, and Interstate Commission, (2) that the tariff rate on raw or refined sugar should fluctuate in inverse ratio to movements in foreign market prices. Neither recommendation was adopted.

Regulation. The Commission just referred to was not the first attempt to find some way of dealing with the activities of trusts. In 1906 the Federal Parliament passed a measure containing large slices of the Sherman Act (see Chapter XI), but this Act had no effect in spite of subsequent amendments. In Australia, as in every country, the results of anti-trust legislation have been approximately nil. During the War Australian trusts and rings made hay, and eventually all governments were compelled by popular clamour to undertake price-fixing. But here again the results were very small. Trust-bursting is a remedy no longer advocated, and the only solutions of the trust problem are public regulation or public ownership. It is generally admitted that the trustification of industry has resulted in the elimination of wasteful competition and competitive costs, the institution of greater efficiency in production, and the supply of better goods and services than were possible under the old wild competitive conditions. How to retain these benefits and yet prevent the community from mereiless exploitation is one of the most important tasks of economic statesmanship to-day. Drastic regulation by the state, price-fixing, fuller publicity of accounts, etc., may be possible and useful, though experience suggests that such attempts at restraint might be evaded. Co-operation and public ownership suggest partial solutions, which depend for their success upon factors which will be considered later. Meanwhile combination, not competition, holds the field.

Books Recommended. Marshall, A., "Industry and Trade"; Macgregor, D. H., "Industrial Combination"; Jenks, J. W., "The Trust Problem", Hobson, J. A., "Evolution of Modern Capitalism," chaps. 7-9; Hirst, M., "Story of Trusts"; Macrosty, "Trust Movement in British Industry"; Carter, G. R., "Tendency Towards Industrial Combination"; Dawson, W. H., "Industrial Germany" and "Evolution of Modern Germany"; Wilkinson, H. L., "Trust Movement in Australia"; Brown, W. Jethro, "Prevention and Control of Monopolies."

CHAPTER VIII.

MODERN ECONOMIC AND SOCIAL PHILOSOPHIES.

Before proceeding further with our study of modern economic movements, it is necessary to survey the chief economic and social doctrines which have influenced men's minds during the last 150 years. To a certain extent individuals and governments act under the guidance of some theory. The conduct of men and the policies of statesmen usually have behind them a philosophy of life and statecraft. Often it is implicit, vague, inconsistent, and based on personal or class interests; frequently it may be shelved when some strong claim of self-advancement, some popular passion, or some urgent public evil calls for action in a completely opposite direction. It is frequently a policy of expediency rather than of principle; it is opportunist, meeting difficulties as they arise, and catering for the needs of the dominant class. But, nevertheless, the voice of the philosopher makes itself heard at times; political parties adopt a certain point of view, and so, broadly speaking, we can say that the legislation of an epoch is based on some underlying principle.

Liberty and Authority. The two great alternative social creeds are those which centre on liberty and authority. The former seeks the welfare of mankind by allowing the individual the greatest possible freedom of action. Legislation is to clear away obstacles rather than impose restraints. Interference, prohibitions, and regulation are to be reduced to a minimum, and men left free to create their own conditions and shape their own destiny. The advocates of non-intervention declare that men know what is good for them far better than does the state; they maintain that state regulation checks enterprise and hinders progress. Therefore let governments keep their hands off economic and social life, and all will be well. Such an attitude assumes that the individual is capable of seeing and of securing his best advantage; it presupposes a harmony between men in society; it estimates at a very low mark the intelligence of the statesman. It thinks of man and the state as antagonists, with the state a possible oppressor—and always a blunderer.

Opposed to this theory is that which demands for the state large powers of control. Those who urge this doctrine admit that a man may pursue a line of advantage for himself, but his actions may be to the detriment of the state. They point out that many, by reason of some disability, are unable to act as they would wish, and may be trampled down by the strong. Individualism—the gospel of liberty—is a splendid doctrine for the strong and wealthy, but cold comfort for the weak and poor. Further, they declare that the state must think in terms of the national group, and act in a way which will foster development along lines that are best for society as a whole. This in practice means the prohibition of certain activities which are harmful to the life, morals, or strength of the community, the protection of the weak and the curbing of the unscrupulous strong, the undertaking of works which are essential to national character and progress, and the encouragement of industrial and agricultural development in a direction calculated to produce national strength and economic independence. The

theory may go so far as to demand that the state shall enter the field of production, and become the owner of the means whereby wealth is produced, distributed, and exchanged. Such a doctrine thinks of man and the state working in harmony; but it has no illusions about the perfection of human character, and hence, while acting as a guide, the state must also check man's evil, anti-social impulses.

These two rival points of view have alternately dominated men's minds during the ages. At times the latter has been uppermost, and been responsible for the erection of a substantial edifice of government control. This in time has become oppressive, for the state often fails to see that conditions are changing, and insists on regulating to the point of excess. Hence, on the eve of a new era, authority tends to hinder the adoption of new ideas or devices; regulation tends to be static, but human activity is dynamic; more progressive men therefore take up the opposite creed, denounce the state as an oppressor, and seek to strip it of its power. Hence comes a reaction, precipitated generally by some big revolution in religion, politics, or industry, and the elaborate structure of state control is destroyed. But in course of time liberty proves itself as unsatisfactory as was its predecessor; injustices spring up, the weak are trodden underfoot, while the strong reap an abundant harvest. Therefore the cry arises for control, for regulation, for protection of the poor. Once more the state awakes to a sense of new responsibilities, and begins to build up a system of social and economic legislation. This continues for a period, until men realize that the new order is far from perfect, having created almost as many problems as it solved. Thus arises a feeling of revolt against state omnipotence, and again there is a trend towards liberty. And so the world seems to go on, alternating between these two extremes.

Many illustrations might be given to support the above general statement. One of the best instances is provided by the changes in British thought and policy between 1760 and to-day. At the former date economic life was highly regulated on every hand. A mass of legislation had been accumulated to control a certain economic order—that described in the first chapter. But voices were already being raised in criticism, and when the Industrial Revolution came along, creating a new industrial system, the old laws were obstructive. Hence, under the stress of new methods and vigorous criticism, they were consigned to the scrap-heap, and for a time liberty prevailed. But liberty brought forth tares as well as wheat; in fact, the proportion of tares was so excessive that when men began to examine the crop they recognized the need for a radical change in policy. Once more the state began its big work. Factory and wages laws, public health provisions, state insurance, old-age pensions, education, taxation of wealth, etc., all came in time. But here again, 50 years of vigorous state policy have resulted in discontent. The new heaven fails to come to earth, and just before the War there was a visible reaction against the state's power. As a recent writer has said, "A certain tendency to discredit the state is now abroad" (Barker), and we have not yet heard the last of this tendency.

The last hundred years, therefore, provide us with a liberal period, an era of growing state control, and an incipient reaction against the state. The dividing line between the first and second epochs can be fixed roughly about 1848.

The Rise of Individualism. The last half of the 18th century witnessed a big literary glorification of "Liberty." In the political arena,

despotism and bad government were attacked with great vigour, and the rights of the individual placed in opposition to those of the state. Tom Paine and Godwin declared that government was an unnecessary evil, and was responsible for the unhappiness, poverty, and misfortunes of men. Rousseau, the greatest political influence of all, began his famous work, "The Social Contract," with the assertion that man was originally free, but was now everywhere in chains; those chains were kept on him by the despotic governments of the world, who had deprived him of all the rights which were formerly his. This idea of the rights of man had a great influence on the French Revolution, and one of the first declarations of the revolutionaries ran as follows:—"The end of every political association is the conservation of the natural and imprescriptible rights of man. These rights are liberty, property, security, and resistance to oppression. Liberty consists in the freedom to do anything that does not injure others." Throughout all such writings ran the theme that liberty was a natural thing, an inalienable birthright, which had, however, been filched from man by the many laws and oppressions of despotisms. Therefore government was a necessary evil, if not a usurpation, which must be destroyed, or, at least, taught to know its place.

It was during this era of revolt against governments that economic thought took shape, and consequently the early economists took up the cry of liberty. In France, where industry and commerce were strangled by over-regulation, a group of economists, called the Physiocrats, pleaded for economic freedom. Their line of argument was very interesting, and was adopted by nearly all the later writers. They declared that there are natural laws for society, just as there are natural laws in the physical world. Gravitation is a law of nature; the planets are guided in their courses by natural forces; chemistry, botany, anatomy, and all other physical sciences have their laws laid down for them by Nature, Providence, God—whichever name you care to use. In the same way there are laws provided by Nature to guide and control human society and economic activity. If this is so, then all attempts at regulation by the state are unnecessary, harmful, and even impious. Therefore the state should find out these laws, conform to them, and clear its statute-book of anything which interferes with Nature's decrees. The policy of statesmen should be *laissez-faire*—let alone, don't touch, be quiet. Nature will regulate life, and men may rest assured that her control will be for the ultimate benefit of mankind.

Adam Smith. The first great British economist, Adam Smith, grew up among such ideas, and his "Wealth of Nations" is in many respects a plea for economic liberty. The elaborate network of state control spread over the whole economic life of the nation was to him a trap, holding men to the ground when they might be soaring to better things. He therefore urged that the net be cut away at once, and men restored to a state of natural liberty. But what would men's motive in conduct be when that day came? Smith answered, "Self-interest, the desire for individual advancement, selfishness." A low motive certainly, but an unalterable law of Nature, which would bring all things right in the end. For Smith believed that the Invisible Hand, which had cast men in a naturally selfish mould, continued to guide their activity in a way which produced the greatest benefit to society. Witness the following extract:—"Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he may command. It is his own advantage indeed, and

not that of society, which he has in view; but the study of his own advantage naturally, or, rather, necessarily, leads him to prefer that employment which is most advantageous to society. . . . . The individual neither intends to promote the public interest, nor knows how much he is promoting it by directing industry in such a manner that its product may be of the greatest value, but intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.''

This being so, then free competition, the rule of self-interest, and absolute liberty to all men to do as they think best become part of the divine scheme of human happiness; there is no need for the state to interfere, since natural forces alone will bring to all far greater prosperity than can ever result from the decrees of statesmen. Individualism becomes a religious creed, and state control of the actions of capital or labour is rank heresy, blasphemy.

The Pessimists. Smith wrote before the inventions and discoveries had ushered in the new regime; he could therefore afford to be optimistic about the fruits of *laissez-faire;* but those who took up the theory became almost incorrigible pessimists. This was due to the fact that they lived in the decades when the worst effects of the Industrial Revolution were being realized. The rapid growth of population seemed, in the eyes of Malthus, to presage a day when the world would be overcrowded, and the soil incapable of supplying the bare requirements of food. This increasing inadequacy of the food supply promised deeper and deeper misery for the poor, and the only remedy which could be suggested was that wages should be left to find their own level, under the stress of fierce competition among labourers. Low wages would prevent wage-earners from marrying young or having large families, and thus a strong restraint would be put on the growth of population.

The most ruthless exponent of individualism as applied to wages was Ricardo. He was a thorough-going doctrinaire, and his theory led him to dismal conclusions. Wages, he said, tend to fall to the natural minimum; that minimum is the ''price which is necessary to enable the labourers, one with another, to subsist and perpetuate their race, without either increase or diminution.'' Above this level wages may go, provided there is a scarcity of labour; but as the tendency is for the working-class population to grow rapidly, especially when high wages prevail, keen competition will come in and keep the rate low. Further, Ricardo barred the closed door against higher wages by his famous ''wages fund theory.'' This theory was that at any given time there was only a certain fixed amount available for wages; this fund could only be raised by reducing the fund for rent and profits—a highly improbable event. Therefore if, by trade union activity or legislation, one class of workmen obtained higher wages, there would be so much less left for other classes. These were the clauses of Ricardo's ''iron law of wages,'' and in all things the government must not interfere, no matter how hard the lot of the poor. ''Like all other contracts, wages must be left to the free and fair competition of the market, and never controlled by the interference of the legislature.'' It was all very gloomy, but since it was based on the natural laws of private property, liberty, supply and demand, and free competition, it was justified, inevitable, and unalterable.

Ricardo's opposition to state intervention in wages contracts was shared by most men of his day, and later. In 1808 a parliamentary committee

declared that a legal minimum wage was "wholly inadmissible in principle, incapable of being reduced to practice by any means that can possibly be devised, and if practicable would be productive of the most fatal consequences." Many years later, Fawcett, Professor of Political Economy at Cambridge, declared that we might as well think of regulating the tides as of determining wages by act of parliament. More conscientious individualists sought justification for low wages in ethical considerations. A writer in the 18th century declared that "Upon the whole we may fairly aver that a reduction of wages in the woollen manufactures would be a national blessing and advantage, and no real injury to the poor. By this means we might keep our trade, uphold our rents, and reform the people into the bargain." But whatever the question at issue, the prevailing plea was for non-intervention. Bentham said that the general watchword of the government should be "Be quiet"; and John Stuart Mill declared in the forties that "*Laissez-faire* should be the general practice; every departure from it, unless required by some great good, is a certain evil."

Herbert Spencer. Up to about 1870 individualism was the dominating social and political creed. Then, as its principles were challenged, and its results denounced, a champion arose to pen what was virtually its swan song. In Herbert Spencer's "Man versus the State" individualism became almost rabid. Spencer came to his task armed with a vast scientific knowledge. The current phrases of evolutionary theory were familiar to him, and he used them as weapons with which to slay those who urged stronger social control. His points were two. (1) Competition is the law of progress, in man as in plants and animals. The survival of the fittest, the weakest to the wall, the devil take the hindmost, these are the essentials of progress. Let the least fit, the weakest, be stamped out; then we shall get a finer breed in the next generation. As with foxes, pole-cats, fishes, and birds, so let it be with men. (2) It follows from the first contention that the state should not interfere with the free play of competition, or the process of weeding-out. Therefore, let the state's functions be confined to maintaining national defence and enforcing contracts. But beyond the army, navy, courts of justice, and police the government must not stray. State education is a "tyrannical system, tamely submitted to by people who fancy themselves free." It is a "sentimental weakness to ask the state to interfere" in the interests of any suffering class; poor laws, old-age pensions, and the whole range of social and philanthropic legislation do "good that evil may come." Libraries, art galleries, even sanitary supervision, all are condemned. Government control brings in its train "regulative apparatus" and the domineering official, while socialism "would stop the progress to a higher state, and bring back a lower state." If people wish to enjoy social benefits, let those interested act on their own initiative; but do not squander the taxpayers' money in providing facilities which few desire or require. Let us have freedom instead of bondage, and if any man objects to the policy of the state let him have the right to refrain from paying taxes, sacrificing in return the protection which the state affords. Spencer was thorough, if nothing else; his state fits Carlyle's phrase, "Anarchy plus a policeman."

Individualism in Practice. The theory outlined above was commonly accepted, especially until the middle of last century. It became the doctrine of the Liberal Party in Britain, and suited the interests of the big manufacturers and merchants who supported that party. It was responsible for the repealing of the industrial laws inherited from earlier centuries, and gave an

intellectual stimulus to the free trade movement. It explained partly the opposition to factory legislation, and could be twisted to favour the prohibition of trade unionism. Its advocates were usually perfectly sincere in their belief that individualism would produce a strong, healthy people. They wished to emancipate society from bad laws, and free mankind from the chains which fettered its moral and economic development. They separated the political from the economic, and were generally strong believers in representative government, democracy, and education; but they maintained that the politician could not understand economic affairs, and any attempt by him to regulate business would be ignorantly conceived, unjust, and disastrous. Finally, men of the Bright and Cobden type were convinced that *laissez-faire* would become a universal creed; when men were left free to work as they thought best they would recognize that their best interests were tied up with those of men in other lands, and so permanent peace would come because all men realized that they were brothers.

The Reaction. Its Causes and Character. Even before 1850 the defects of individualism were making themselves apparent. The theory had been of use in sweeping away many obsolete restrictions, for the regulations embodied in the mercantile system of the 17th and 18th centuries were almost completely inapplicable to the changed conditions of the 19th. But nothing had been done to fill the gap thus created, and having driven out the one devil, individualism left the house swept and garnished, ready for the entrance of seven others. From the point of view of society, individualism was a negative creed, and when each man builds for himself on a basis of self-interest, the resulting social structure must inevitably be higgledy-piggledy—if not something worse. In practice, it was something worse. Individualism produced a system which was no system, a chaos devoid of justice or mercy, and a wild competition between various classes of society (as well as inside each class), in which the many weak were crushed hard against the wall. Liberty, the watchword of individualism, was capable of two interpretations—liberty to tread on others, or to be trodden on; liberty to go up, or to go down. For many it meant the latter, and was a "word of noble sound and squalid result." Carlyle summed up the situation admirably when he declared, "Liberty, I am told, is a divine thing, but Liberty, when it becomes the liberty to die of starvation, is not so divine." Self-interest, unfettered by social control, produced an industrial world of low wages, child labour, long hours, slums, overcrowded towns, unhealthy factories, unfenced machinery. "Buying in the cheapest market" meant cheap clothes and nasty, cheap labour, and "The Song of the Shirt." "Freedom of contract" justified the opposition to trade unionism and the legal minimum wage, and led to the extensive exploitation of female and child labour. Here and there individualism threw a gleam of light. Free trade, one of its products, eased the problem of food supplies for the industrial masses, while the abolition of the "taxes on knowledge"—*i.e.*, duties on newspapers, etc.—made possible a cheap press. Further, recognizing the futility of appealing for government aid, the British working-class set out to achieve its own salvation by voluntary united effort. *Laissez-faire* drove the wage-earners to act for themselves, instead of leaning on the government, and out of this sprang trade unionism, co-operation, friendly societies, and early socialism, movements which have exerted untold influence, not merely in Britain but in every industrial country in the world. Still, admitting all this, the evils of individualism far outweighed its good; for the bulk of the

nation the theory held out little hope beyond poverty and squalor. No wonder, therefore, that political economy, with its justification of these conditions, was dubbed the "dismal science"; no wonder that if you wished to insult a man you called him a political economist.

Even before 1848 some voices were raised in protest against the anarchy of *laissez-faire*. For 30 years before his death (1835) William Cobbett persistently preached political and economic reforms. All manner of clubs arose during this period, urging similar measures, while for a time Robert Owen endeavoured to persuade the government to take some drastic step for the benefit of the poor. But nearly all such agitations were doomed to failure. At first the official policy was one of suppression, with Coercion Acts and heavy punishments. Canning thanked God that the House of Commons did not reflect the popular will, and he and his contemporaries stuck grimly to individualist principles. During the twenties a more tolerant air prevailed, and the legal ban on trade unions was partly removed, while during the next two decades factory legislation made some progress. But this latter step was generally understood to be exceptional. It had been taken because of the exposure of foul conditions in factories and mines, and because children were not quite able to look after themselves in a world of free contract. These must be remedied, but the acts must not be taken as precedents on which to base any plea for the extension of state intervention. Further, the early factory acts were supported by many members of the landed interest not because they approved the principle involved, but in order to hit the manufacturing interests, who were seeking to deprive land and agriculture of the protection of the Corn Laws.

Lines of Attack. Then came the flood, and from the late forties onwards individualism and its resulting anarchy were attacked root and branch. The attack came from every side. There was scarcely a noted writer whose pen was not dipped in gall against the prevailing creed. Artists found its teaching hard and crude; eminent men in the religious world asserted that Christianity and *laissez-faire* were incompatible; social investigators revealed black facts showing the results of the policy; and a new school of economists arose, either to urge state intervention or to demand the replacement of capitalism by socialism.

This revolt was of a double nature. On the one hand it was spiritual, attacking the narrow, material selfishness of industry, and the economic theories which sanctioned it. As a remedy it was urged that a better spirit should be infused into economic relationships—more sympathy, co-operation, and equity; but there was little idea of any big change in the economic structure. On this line went the literary giants (Dickens, Arnold, Carlyle, Ruskin, etc.), and to some extent the Christian Socialists. On the other hand was the materialist attack, coming from the socialist writers (Marx, Rodbertus, the Fabians, etc.). These men challenged the whole system as a system, criticized its foundations, and sought to secure its replacement by a new order based on the social ownership of capital and land.

The Spiritual School. The novelists of the early Victorian era did much to condemn *laissez-faire* by their descriptions of contemporary conditions. Disraeli, Mrs. Gaskell, and Charlotte Bronte depicted in strong colours the life and environment of the new factory towns, but their influence was small compared with that of Dickens. Dickens came to authorship along the road of poverty and squalor. He knew intimately the seamy side of life, and had tasted the fruits of a system based on unbridled self-interest.

Hence, though devoid of any big constructive ideas for reform or reconstruction, he stood forth as the enemy of selfishness and hypocrisy, whether in men or in a system. Selfishness in men is personified in Scrooge of the "Christmas Carol"; in a system in "Hard Times" (1854). In this novel Dickens paints Thomas Gradgrind, the type of the age and its philosophy, free from any conventional vices, but hard, stern, and self-centred in his business dealings. To Gradgrind "business is business," something in which there is no room for ethics or a soul, something which gives the successful man the whole world, but fails to develop in him those qualities which make men great or lovable. By way of contrast, Dickens gives us pictures of a man and woman, poor and ignorant of the commercial value of self-interest, but full of the milk of human kindness, happy in spite of their poverty, and guided by sacrifice rather than selfishness. The moral of the story is that there is far more in mankind than the desire for individual gain; affections, desires, the sense of duty and service, all count, and individualism is bad as a theory of life because it takes no account of these human traits. Life cannot be controlled by material laws of supply and demand; happiness cannot be estimated in terms of money. "Sullen socialism" was Macaulay's opinion of this moral, but there was very little socialism in Dickens. He merely protested against the prevailing doctrine, and in his small way helped to achieve a reform here and there. His pictures of the debtors' prison, the private school, Bumbledom, public executions, and the Court of Chancery drove public opinion to remedy the faults described. But Dickens' message was spiritual rather than material, and his great thesis was that selfishness warped men, and brought misery to the mass of mankind.

The Christian Socialists. The general awakening of the social conscience about 1848 influenced many religious leaders in different parts of Europe, and brought into being the Christian Socialist school. This school declared that Christianity had a distinct message to men here on earth, that its tenets must be applied to social and economic life, and that the Kingdom of God must be realized in this life, instead of being postponed to some distant future state. The Christian Socialists laid stress on texts which had been passed over by the individualists, and found in the Bible material for the condemnation of capitalist society as it then existed. But, nevertheless, they were not socialists, either in the contemporary or present meaning of the word. When they turned to suggesting remedies, they urged the establishment of small self-governing workshops; but they laid more stress on the need for better character than for a different social system. They refused to believe that a change in material conditions or environment alone would bring social justice or happiness. The individual must also be changed, and a sense of unselfish brotherhood fostered. As Charles Kingsley, one of their leaders, remarked, "The only thing to regenerate the world is not more of any system, good or bad, but simply more of the spirit of God." Kingsley, like many of his fellows, was intensely interested in practical reforms. He advocated better housing conditions, supported trade unionism and co-operation, and helped to establish self-governing workshops. (See Chapter XXVII.) Although this particular experiment failed, the group helped to rouse many clergy and laity to a sense of social responsibilities, and Christian Socialism has always had a fair following in the churches of Europe since the preachings of the fifties.

Carlyle and Ruskin. The literary denunciation of individualism and capitalist practice reached boiling-point in the works of Carlyle and Ruskin. Both were mystics, and their acute senses were jarred by the sight of a soul-less, mercenary civilization. Carlyle saw that men were becoming machines; "the mysterious springs of love and fear and wonder, of enthusiasm, poetry, and religion," were drying up under the scorching rays of commercialism. A "once merry England" was becoming a "black, godless, waste-struggling world," and under the tyranny of capital, machinery, steam, and *laissez-faire* "the common weal was a common woe." The prevailing doctrine was to Carlyle "the choking, sweltering, deadly, and killing rule of no rule," "anarchy plus a policeman," "do-nothingism." Economic laws were "laws of the shop-till," and life is not merely a shop. As for parliament, the "national palaver," Carlyle thought its "reform ministries as barren as the east wind," and declared, "Liberty produces, What? Floods of Hansard debates every year, and apparently little else at present." In short, the "condition of England question" was a perpetual nightmare to him, and it seemed incredible that with such a problem awaiting solution at home, statesmen should spare time to extend pity to Turks and Armenians, or smile because the liberated negroes of the West Indies were "at last happy."

When one asked for remedies, Carlyle was unsatisfactory. Parliament and democracy evoked his most vicious sarcasm. Manhood suffrage suggested to him a demand later on for horsehood and doghood suffrage; the "equality of man" placed the cotton-picking nigger on the same plane as Socrates or Shakespeare; the ballot-box was only a modern device for enabling the people to choose Barabbas in preference to Christ. Free trade, the popular panacea of the time, was simply "free racing in the career of cheap and nasty." Carlyle pinned his hopes to rule by heroes; just as in the past religious, political, or military heroes had led a submissive people, so in the future the new "captains of industry," having improved their stock by intermarriage with the old nobility, would order and control society. The many were to be bound in permanent service to the few, and, recognizing the supreme excellence and wisdom of their leaders, would consent to be educated and drilled into the new way of life. Let the best rule, said Carlyle; but he failed to show how those best would be chosen. In all this Carlyle assumed a big change in character, and regarded moral reform as indispensable to success. "All reform," he declared, "except a moral one, will be unavailing. Political reform can indeed root out the weeds, but it leaves the ground empty—ready either for noble fruits or for new, worse tares." Carlyle's remedies found very little support, especially among the many; but his denunciations of contemporary society and thought had a profound influence upon British opinion generally.

Carlyle thundered; Ruskin kept calmer, but the eloquent, polished sentences of the latter completed the work which Carlyle had begun. Ruskin had intended to devote himself to a life of art, but as he realized the character of the England in which he lived, he lost all taste for art, and set out on a crusade for the regeneration of society. He felt that art could only be good and beautiful when it grew in a political and economic world which was itself good and beautiful. Hence he endeavoured to hasten the time when "this disgusting nineteenth century has—I cannot say breathed—but steamed its last," taking with it all its ugly materialism and selfishness. For forty years Ruskin maintained a vigorous attack on the industrial system

and on orthodox political economy. Modern industry was mechanical; therefore it destroyed all manual skill, all pride and joy of labour. It was based on competition; therefore it fostered dishonesty, adulteration, and the plundering of one's employees. As for political economy, which should be part of the big science of life, it had become the science of money-making. It had created a fiction—the economic man—by shutting out all the sides of human nature which make life worth living; it had made wealth the master, instead of the servant, of life. It preached that man is naturally covetous: it supplied a "get-rich-quick" formula, and made man a "getting and spending animal." Instead of this, economics should be the science of welfare, pointing the way to true wealth; but there is no wealth but life, life with all its possibilities of effort, service, affection, and happiness.

As remedies, Ruskin urged some very practical measures. The state must intervene to provide education for the young, employment, if necessary, for the adult, and support for the aged. Ruskin would compel all men to work; he had no patience with the idler. Individualism must go. Beyond that Ruskin went on the lines laid down by Carlyle. Let the wealthy realize their responsibilities to those under their charge; then, being made wise, they will so act as to bring sweetness and light to the many. Ruskin was no enemy of property, but he believed that property owners should regard their wealth as a trust, to be administered for the benefit of all. He was anti-democratic, almost to the point of verbal violence. Let the wisest rule, and let the lords of economic life be masters, but enlightened masters. An economic chivalry, with *Noblesse oblige* as motto—this was the best that Ruskin could suggest. And yet, though neither democrat nor socialist, Ruskin exerted an immense influence over the thought of his day. He helped to destroy individualist theory and create a greater belief in the value of state action. He gave economics a broader outlook and a deeper human sympathy. His works have lit the flame of idealism in the breasts of thousands, and turned many on to the path which leads to socialism.

Such was the work of the spiritual school, powerful in its criticism, if fanciful in some of its remedies. It roused the social conscience from torpor, goaded it into action, and thus made the path of social control much easier to tread.

Socialism and State Socialism. Meanwhile economic thought was being disturbed within by the rise of economists who questioned the old theories and conclusions. Mill, starting out as a disciple of *laissez-faire*, was driven to advocate taxation of the unearned increment of land, and the concluding chapter of his "Political Economy" virtually gave away the whole case for *laissez-faire*. During the subsequent years economists threw overboard any allegiance to fixed principles of natural rights and laws, and declared that when necessary or desirable the state must act. In fact, throughout the world, thought generally turned in this direction. In Germany, during the seventies, a school known as the state socialists arose, urging strong state action. This movement influenced Bismarck, and was responsible for the introduction of comprehensive factory laws, accident and sickness insurance, old-age pensions, state industries, etc. In Australia, *The Age*, under the influence of its proprietor (David Syme) advocated a similar policy. Syme, a keen student of economics, declared that *laissez-faire* was simply "a policy of drift." He urged a vigorous protectionist policy for his state, asserted the legal and moral right of the government to regulate industrial conditions and fathered a long series of laws dealing with

industrial affairs, land settlement, etc. In America, the work of Henry George laid stress on the socially-created value of land, and led to a movement in many countries for land taxation or nationalization.

But to many state socialism or intervention was a thing of shreds and patches, an attempt to palliate social evils, a dodge to prop up capitalism and avert its overthrow. That was the view of the socialist writers who became prominent after 1848. They began with a vigorous criticism of the existing order, and from this passed on to urge the claims of a happier regime, which could only come with the abolition of private property in land and capital. The socialist movement will be fully dealt with in later chapters, so it is unnecessary to dwell on it here. But it is important to note its attitude of revolt; to the working classes of Europe socialism came as a new gospel of deliverance, and added fuel to the fires of discontent.

Results. Under the weight of all this condemnation, *laissez-faire* bent and then broke. From about 1870 onwards governments recognized more and more their duties, abandoned the policy of inertia, and began to "do something." The first essential was to obtain information, and this was done by the appointment of countless royal commissions. These official enquiries, supplemented by private investigations, revealed many startling facts; such phrases as "the destitute residuum," "the submerged tenth," "rural depopulation," "sweating," "slumdom," etc., began to have a real and terrible meaning, and legislation set to work to cope with the "social problem." Politics became more economic in character, especially since the rise of Labour Parties in the nineties.

The Counter Reaction. After some thirty years of ever-widening state control, there have been visible since about 1910 the beginnings of a strong reaction against the state's authority and activities. This is due to many things. (1) The failure of state action or the refusal of the state to touch root problems brought it into some discredit, and created widespread disillusion concerning the possibilities of political effort. Unemployment is still with us, prices have risen continuously since 1896, capital makes bigger profits than ever, and wealth and poverty still jostle each other in society. The path to the conquest of political power is long, rough, and steep. State regulative machinery is cumbersome and works slowly. State-owned industries are disappointing in their results. Radically-minded politicians are weaned by place and pay from the true faith. In short, men expected so much from public intervention, and seem to have got so little. This is probably a short-sighted view, and fails to take account of the volume and value of what has been accomplished; but when men are keen to get to the millennium they get impatient of slow, roundabout tracks and seek a short cut.

(2) New doctrines have come into the field. Syndicalism regards the state as the political tool of capitalism, and asserts that the system must be overthrown by revolutionary direct action. Guild socialism challenges the undiluted sovereignty of the state. It declares that other groupings of men are quite as entitled to sovereignty in certain lines as is the political grouping. Occupational group organizations represent the people in their capacity as producers; therefore there should be a divided sovereignty, with the state as political head, representing the consumers as a whole, and the unions or guilds, knit together in a national federation, representing the producers as a whole. From this it follows that economic affairs should be regulated largely by economic organizations, not by an external political body. Indus-

try is to be self-governing. Thus we find ourselves back again at *laissez-faire*, a new kind of *laissez-faire*. The state is to "let alone," to keep its hands off industry; the determination of conditions is to be left in the hands of those who work in an industry, organized in their proper groups. They know what is best, the state does not. Without accepting any of these doctrines in full, many trade unionists are of opinion that state regulation has reached its high-water mark, and look to industrial action rather than politics for the realization of their ideals. (See Chapter XXIV.)

Books Recommended. Smith, Adam, "Wealth of Nations"; Ricardo, D., "Principles of Political Economy"; Bentham, J., "Principles of Legislation"; Spencer, H., "Man versus the State"; Brown, W. J., "Underlying Principles of Modern Legislation"; Dicey, A. V., "Law and Opinion in the 19th Century"; Gide and Rist, "History of Economic Doctrines"; Hirst, F. W., "The Manchester School"; Mackay (ed.), "A Plea for Liberty"; Toynbee, A., "Industrial Revolution," chaps. 7, 10-12; Dickens, C., "Hard Times"; Kingsley, C., "Yeast" and "Alton Locke"; Carlyle, T., "Shooting Niagara," "Signs of the Times," and "Past and Present"; Ruskin, J., "Political Economy of Art" and "Unto This Last"; Barker, E., "Political Thought from Spencer to To-day"; Gibbins, H. B., "English Social Reformers"; Kropotkin, P., "Mutual Aid"; Cole, G. D. H., "Self-government in Industry"; Wallas, G., "The Great Society"; Hobhouse, L. T., "Liberalism."

CHAPTER IX.

THE FREE TRADE MOVEMENT.

Discussion on the relative merits of free trade and protection as national commercial policies has exercised men's minds for at last two centuries. The controversy has been waged with great energy, and at times with bitterness and a resort to personalities. Political opinion has assumed that the whole national and economic future depended on a wise choice of the right policy to be adopted, and vested interests have ranged themselves almost solidly on one side or the other. The importance of the whole question has probably been exaggerated. The tariff policy of a country is only one out of many factors determining economic progress. Inventions, discoveries, the spread of general and technical education, the ambition, energy, and efficiency of the people, abundant natural resources, all play their part. Given these assets, a nation will progress materially no matter what may be its tariff policy.

The period 1815-1914 witnessed in many countries a complete circle in ideas on fiscal policy. In 1815 protection was the rule in every land. Then came a strong movement towards free trade, culminating about 1860 or 1870. From that date onwards the reaction set in, and most countries once more began to build up high tariff walls. This reaction eventually spent itself, and just before the outbreak of the War the tide seemed to be turning again, in protectionist countries, in favour of free trade. But the War roused intense national sentiments, which caused a return to stronger protective measures.

The Free Trade Position. The question of free trade or protection arises when the inhabitants of one country begin to exchange their goods with those of another. International trade before the war was between individuals, and the developments of finance, transit, etc., especially during the 19th century, had knitted up the people of the world in international trade relationships. The goods of Britain and Germany were known in every part of the world. Each country gave something to the world, and drew from every nation something in return. But as these developments became more clear, even in early centuries, statesmen began to ask, "Is this growth most advantageous to our nation?" The idea grew up that while foreign trade might benefit the individuals concerned in it, the result from the national point of view might be harmful. Out of this realization of a possible rivalry between individual and national interests arose the free trade versus protection controversy. To advocates of protection unfettered foreign trade was bad; to supporters of free trade it was wholly good. Let us examine the free trader's point of view; the protectionist's arguments will be stated later. He urges many advantages which would accrue from the adoption of his policy, of which the chief are as follows:—

(1) Industry is carried on for the production of wealth—*i.e.*, commodities. Different countries or areas are especially well endowed by natural resources, etc., for the production of particular commodities. Therefore let each nation specialize on those industries for which it is best fitted, thus

producing more cheaply than less favoured nations. Then by free international exchange of these goods the consumer will benefit from cheap supplies, while the producers will be able to realize greater wealth from their efforts than if they pursued occupations for which their land was unfitted. For instance, Lancashire has plenty of coal, and a suitable climate for cotton spinning. Therefore let her specialize on the production of cotton goods. By so doing she creates more wealth than if she tried to grow corn or rear cattle. Similarly, the West Riding of Yorkshire has abundant coal and water, and a population trained for centuries to the manufacture of woollen cloths. Other lands are not so well supplied with coal, their climate is not so naturally adapted for cotton manufacture, and their population is devoid of textile skill. But they are well equipped for the growth of cotton, the rearing of cattle and sheep, or the production of foodstuffs. By producing these things they create far more wealth in proportion to the outlay of capital and labour then if they endeavoured to spin cotton or make serges. Therefore let Yorkshire, Lancashire, and similar areas stick to their textile factories. Let the natural agricultural areas produce the greatest possible amount of foodstuffs and raw materials. Then by exchanging these products, free of any tariff impositions, consumer and producer will both benefit far more than if each area endeavoured to be jack of all trades.

(2) Free trade enables each country to enjoy the consumption of goods which it is unable to produce by reason of its soil, climate, or size either of land or population. Cold countries are able to obtain cheaply the products of tropical and sub-tropical lands, and vice-versa; the produce of the world becomes available to the poor of the world; small but thickly-populated countries can find adequate supplies of food, and a land with a small population and primitive industries can enjoy all the comforts produced by countries with vast, highly-developed industrial populations. At the same time, countries can produce more than they require for themselves of products for which their land is well suited, exporting the surplus. In this way, Australia finds a profitable use for her semi-dry lands and her metal deposits, Chile can make use of her nitrates, America her cotton belt. A tariff reduces these advantages by enhancing the price of such goods to the importing country, and makes less easy the use of the resources of over-supplied lands.

(3) Since nations trade really by barter, and pay for their imports by exporting goods, any reduction of imports by means of a tariff entails a corresponding decrease of exports, thereby causing unemployment to those engaged in production for export. This may be to some extent remedied by setting the unemployed to work making such goods as are kept out by the tariff, but this means a transfer of labour and capital from one industry to another, and the new industry may be less profitable than the old one.

(4) Free trade prevents or makes difficult the formation of trusts, and renders their operations less likely to be oppressive. Protection makes possible wire-pulling by the big industrial interests, who seek to influence the government to give extra protection to their goods. Hence the flood-gates of corruption are opened wide. Further, under the shelter of the tariff, inefficient methods and obsolete machinery may be retained, with consequent costly production. Free trade compels producers to keep their wits awake, and the stress of foreign competition prevents them from falling into grooves and becoming conservative in their methods.

(5) Protection may benefit some industries, but at the expense of others. The finished article of one industry is the raw material of another. A tariff on leather may benefit tanners, but raise the price of leather to boot-makers. A tariff on steel benefits steel-makers, but hits machine-makers, to whom steel is raw material. A tariff on machinery hits industries using machinery, and makes it less possible for them to afford new machines as such are invented abroad.

(6) Protection is a fruitful cause of international friction; it is based on the idea of international strife, and breeds a spirit of hatred and rivalry among nations. An increased tariff by Italy on French goods is promptly met by an increased French tariff on Italian goods, and a tariff war ensues, which may bring the two countries to the verge of war. The only good port for importing goods into Austria is Trieste; but if Italy owns Trieste, and puts a heavy duty on goods destined for, or coming from, Austria, then Austria must fight to secure or retain that port. Finally, if one nation endeavours to seize an area of rich "backward" country, so as to retain for itself a monopoly of the raw materials of that area, other countries which need supplies of those materials chafe at their exclusion, and seek by war to gain access to the spoils. In short, the whole policy of protection breeds ill-feeling, and in some cases actually causes war. Free trade removes this possible friction, and when all people have equal access to raw materials and exchange goods to mutual advantage peace is fostered.

The Mercantile System. The above arguments, and many others, were first put forward strongly during the first half of last century, and formed part of the individualist reaction against the Mercantile System that still survived. The aim of that system, as it had gradually evolved during two centuries, was national strength and independence on the economic side, so as to fit the state for the successful waging of any war into which it might be plunged. No nation could hope to hold its own in the quarrelsome family of nations unless it had plenty of sturdy men for the army and navy, plenty of industries, and a flourishing agriculture capable of supplying all needs and defying any blockade, plenty of ships available for conversion into men-of-war, and a foreign trade so directed as to bring into the country a plentiful supply of ready money. This aim—economic strength as a bulwark of political and military strength—was during the 16th-18th centuries the guiding principle of statecraft throughout Europe. Its chief features were as follows:—

(1) *The encouragement of industries.* This was done by an elaborate system of prohibitions or heavy duties. The importation of some manufactured goods was forbidden altogether, while others were admitted only on payment of heavy duties. On the other hand, the exportation of raw materials or machinery, and the emigration of artisans, were prohibited, lest any rival nation should therewith build up a competing industry. Finally, the export of manufactured articles was encouraged. In order to do this, the state endeavoured to maintain a high standard of quality, frowned on deceitful practices, and sent an army of inspectors and searchers into the industrial areas to see that cloth and other products were made good and true. The state also insisted on the serving of a long apprenticeship, and on two occasions tried to increase the home demand for woollen cloth by decreeing that no person should be buried in any wrappings except such as were made of pure wool!

(2) *The encouragement of agriculture, especially of corn-growing.* This was done by discouraging or actually prohibiting the importation of corn and by encouraging its exportation. After 1773, however, England required all her own corn for home consumption, and had to import in increasing quantities. Then with the outbreak of the war with France in 1793, sea trade was interrupted, and for 22 years England had to rely almost entirely upon her own production. Prices fluctuated violently from 60/- to 155/- a quarter, but as a rule were high. Hence the farmers benefited somewhat, enclosures were universal, and the landlords were able to demand very high rents. When peace drew near in 1815, and the renewal of foreign supplies was imminent, parliament intervened to save farmers and landlords from a break in prices and rents by forbidding the importation of any foreign corn until the price of British corn had reached 80/- a quarter. (The figure was reduced from 80/- to 70/- in 1822.) This was the famous Corn Law (amended in later years) against which the free traders made their strongest attack.

(3) *The encouragement of shipping.* This was attempted in the Navigation Laws of the 17th century, which forbade the importation of goods from Asia, Africa, or America through European ports, or in any ships except either English ones, manned predominantly by English seamen, or those of the country from which the goods came. The coasting trade was kept in British hands. Goods imported into or exported from any British colony could be carried only in British or colonial vessels.

(4) *The development of the colonies for the benefit of the mother country.* The general principle underlying colonial policy was that colonies were children of the mother land, were protected and financed by her. In return any benefits which the children might be able to bestow should be for the almost sole benefit of the parent. In all things their actions were to be subject to parental control; colonial commodities must be sold to Britain alone, and preference given to British goods. Manufacturers must not be allowed to grow up in rivalry with those of the mother country, and, as Chatham said in the 18th century, "the British colonists of North America have no right to manufacture even a nail for a horse-shoe." Modifications of this policy were sometimes allowed, but on the whole the fundamental justification of colonization was that the colonies were simply to benefit the commerce of, and serve as pawns in the commercial game played by, the parent land.

(5) *The accumulation of a large store of precious metals.* Money was very necessary in time of war, and, until governments discovered the wonderful possibilities of the printing press, that money must be gold or silver. But how was the stock to be increased? Drake's method of galleon raiding had its limitations, and so the only satisfactory way was to regulate trade in such a way that a country exported more goods than it imported. Under such circumstances the net surplus of exports would have to be paid for in metal. To get a favourable "balance of trade" was perhaps the most important part of mercantilist policy; it influenced the regulation of exports and imports, and determined the countries with which trade was to be fostered. England, for instance, discouraged trade with France because the balance there would be unfavourable, but encouraged traffic with Portugal since Portugal was likely to buy more from England than she could pay for in goods.

The Free Trade Movement. The policy outlined above may have been helpful to nations at a certain stage of their growth, but by the 18th century it was certainly a hindrance to British expansion. The colonial system and the Navigation Laws, pushed to extremes, proved fatal in the case of the American colonies, and led to the American Revolution; smuggling flourished in spite of all laws and customs officers; prohibited goods were sold openly; artisans had little difficulty in getting to other lands if they wished; and the Navigation Laws were probably doing as much harm as good by 1770. Even in the 17th century there were many critics of this elaborate state control, and at various points a greater measure of freedom was won. By 1776 Adam Smith in Britain and the Physiocrats in France were ruthlessly pointing out flaws, real and imaginary. Pitt, who had become a disciple of Smith, set out in the eighties to reform the whole financial system and pull down trade barriers. In 1786 he made a commercial treaty with France, by which each country reduced duties on certain specified goods imported from the other. Free trade seemed to be coming rapidly, but the Revolutionary and Napoleonic Wars crashed in to stop it. The need for revenue compelled the government to raise the duties on imported goods, to put more items on the tariff list, and to impose excise duties on almost every article produced inside the country. In 1792 the British National Debt was £237,000,000; in 1815 it was £860,000,000, and called for very heavy taxation to provide the £45,000,000 needed each year for interest and sinking fund. In 1815 there were 1,500 articles on the tariff list, and everything was taxed. As Sydney Smith declared, there were "taxes upon every article which enters the mouth, or covers the back, or is placed under the foot; taxes upon everything which it is pleasant to see, hear, feel, smell, or taste; taxes upon warmth, light, and locomotion; taxes on everything on earth, and the waters under the earth; on everything which comes from abroad or is grown at home; taxes on the raw material, taxes on every fresh value that is added to it by the industry of man; taxes on the sauce which pampers man's appetite, and the drug which restores him to health; on the ermine which decorates the judge and the rope which hangs the criminal; on the poor man's salt and the rich man's spice; on the brass nails of the coffin and the ribands of the bride." At bed or board, from the cradle to the grave, man must pay, and when he dies "his virtues are handed down to posterity on taxed marble, and he is gathered to his fathers—to be taxed no more."

Under this weight of taxation industry and commerce groaned. From 1820 therefore voices began to be raised louder and louder in favour of reform, and this agitation, strengthened by the failure of the fiscal machine to produce an adequate revenue, compelled statesmen to whittle the policy away till nothing remained. The Navigation Laws were modified in operation by making many reciprocity treaties concerning shipping after 1824, and eventually they were repealed (1849 and 1854), thus throwing British ports and sea trade open to the vessels of all nations. Other countries went nearly as far, but some of them, for instance, the United States, retained a monopoly of the coastal trade for local ships. The laws forbidding the exportation of machinery and the emigration of artisans were repealed in 1825, after having been generally evaded for decades. Attempts to maintain a standard of quality in manufactures were also abandoned, and henceforth the purchaser must see to the quality for himself. The apprenticeship laws had gone in 1813.

Meanwhile the tariff of 1,500 articles was being assailed from 1825 onwards. Prohibitions disappeared, duties on raw materials were substantially reduced, restrictions on exports vanished. In 1840 there were still 1,150 articles on the list; yet the national revenue was inadequate, and for years the Treasury had been faced with a deficit. In 1840 a Parliamentary Committee was asked to investigate the whole tariff question; it reported that the tariff had "neither congruity nor unity of purpose," and that out of 721 of the chief dutiable articles the return on at least 600 was not worth collecting. After that discovery it was admitted that the tariff was a bad revenue-producer, and unnecessary as a means of protection, since England was the most advanced industrial country in the world. Therefore, let it be cut away and revenue sought in other directions. During the next 30 years Peel, and then Gladstone, reduced the rates and finally abolished them; by 1860 the number of items was 48; in 1874 it was 17.

This abandonment of the tariff as a source of revenue made it necessary to find some other source of revenue. The alternative was supplied by the income-tax. This tax had been first levied during the Napoleonic wars. It was renewed by Peel in 1842, as a temporary expedient, but was such a successful revenue-producer that it was never abandoned. Gladstone raised the rate from 7d. to 1/2 during the Crimean War, to help pay for that war, but during subsequent years the rate was reduced, until in 1874 it stood at 2d.

Colonial policy was affected radically by the free trade movement. The attitude of the free trader was that the colonies would grow to a certain stage under the wing of the mother country and then break away into independence. Therefore let them be freed from all parental control in their commercial dealings, free to trade as they wished. This, plus self-government, would enable them to reach more quickly years of discretion and independence. International commerce was further liberated by means of a system of "most favoured nation" treaties. These treaties worked as follows:—In a treaty between Prussia and France, France promised that if she granted concessions to any other country, say England, Prussia should automatically obtain the same concessions. Prussia in return made the same promise to France. France did actually make concessions to England, and therefore Prussia obtained them as well. Hence by a network of treaties duties were reduced all round, and a big approach was made towards European free trade.

The Corn Laws. The most spectacular fight in the free trade campaign centred round the Corn Laws, against which the Anti-Corn Law League, founded in 1839, crusaded, with Cobden and Bright as its champions. For six years the League carried on a vigorous widespread campaign, strove to work up public opinion, and vainly endeavoured to secure the abolition of the "tax on bread." Agitation failed, but the bad English harvests of 1844-5 and the Irish potato famine of 1845-6 succeeded, for the need of getting cheap food converted Peel and compelled the government to allow corn to be imported on payment of a duty of 1/- a quarter. That 1/- was removed in 1869, and free importation of corn became the rule

Free Trade in Other Lands. The movement towards free trade was not confined to England. France went a long way on the road, and a commercial treaty with England (1860) opened French ports to British produce on much more favourable terms. In Germany, the Zollverein (1833) established free trade between 36 states, and thus facilitated the internal

development of the country. In America the trend from 1828 onwards was towards lower tariff duties, while the British colonies followed a policy of almost free imports during their first ten years of self-government. Thus the middle years of the century found the equality of natives and strangers in commercial dealings established, the exclusive or preferential exploitation of colonies renounced, navigation freed from discriminations and restraint, lower tariffs general, and government control of commerce at low ebb. Disraeli, looking round in about 1860, came to the conclusion that protection was not merely dead, but damned. That this obituary was at least premature the next chapter will show.

Books Recommended. Armitage-Smith, G. A., "The Free Trade Movement and its Results"; Cunningham, W., "The Free Trade Movement"; Morley, J., "Life of Cobden"; Ogg, F. A., "Economic Development of Modern Europe," chaps. 4, 12-15; Levi, L., "History of British Commerce"; Slater, G., "Making of Modern England"; Porter, G., "Progress of the Nation"; Gide, C., "Political Economy," chapter on "Commercial Policy"; Taussig, F. W., "Principles of Economics"; Buxton, S., "Arguments on Either Side of the Fiscal Question"; Levy, H., "Economic Liberalism"; Day, C., "History of Commerce."

CHAPTER X.

THE RETURN TO PROTECTION.

"I BELIEVE that if you abolish the Corn Laws honestly, and adopt free trade in its simplicity, there will not be a tariff in Europe that will not be changed in less than five years to follow your example." So prophesied Cobden in the days of the fight against the Corn Laws, and Peel and others were firmly convinced that other countries would follow England's example. To some extent the forecast was correct, for during the 20 years after 1846 there was an almost universal trend towards free trade. But the movement was checked about 1871; from that date onwards most countries returned to a protectionist policy, and England witnessed keen agitations in favour of such a return. This turning on one's tracks needs some explanation.

Causes of the Protectionist Reaction. (1) *The growth of nations and national sentiment.* The free trade period coincided with that of national wars and national unification. Between 1846 and 1871 three new nations emerged. Italy fused her many small states into one kingdom, and Rome became the capital of a united Italy. On the victories gained over Denmark, Austria, and France Bismarck built up the German Empire. The American Civil War decided definitely that the United States should be one nation. In Russia the serfs were freed, and a vigorous development policy was adopted. Finally, in the East, Japan opened her doors to the outside world, and began to transform herself into a modern state In each of these lands the nation experienced a new sense of strength and optimism. Military and political power were now theirs, and they held their heads high, at times too high. Under the influence of a new-found patriotism the demand arose for economic strength and independence as an essential to real national strength. We have our own army, laws, and constitution; why not our own industries? Thinking in terms of the nation became the rule, and as each country set out not merely to build its own industries, but also to wrangle with other nations for slices of Asia and Africa, a bitter international spirit was fostered, of which protection was the natural consequence.

(2) *The need for revenue.* One of the chief features of modern politics has been the increase in the cost of government. *Laissez-faire* kept state activities and expenditure down to a minimum, and therefore taxation was low. In 1874 Gladstone could pay his way with 17 articles on the customs list and an income-tax of 2d. in the £. But even before that time government spending was increasing. The many wars between 1853 and 1871 —in the Crimea, India, Austria, Italy, France, and U.S.A.—all loaded the governments concerned with heavy debts, to meet which additional revenue must be raised. Then in the eighties the race in armaments began, and most countries committed themselves to heavy expenditure in the interests of peace. Meanwhile the abandonment of *laissez-faire* involved governments in large outlays for internal work. Education, insurance, old-age pensions, poor relief, the administration of industrial laws, etc., all made imperative demands for new sources of revenue. Hence, with defence calling for its tens of millions, and social reform for its millions, new taxation must be

imposed. There were two alternatives—direct and indirect taxation. The former, in the shape of land or income-tax, would create much opposition, and might lose for the political party which imposed it a certain amount of support. Indirect taxation, on the other hand, could be dressed up in attractive guise by declaring, "Let us put duties on imported goods, and then the foreigner will pay the tax." In practice, the foreigner did not as a rule pay, but the customer; but as the payment was made in the form of an extra few pence on the price of the article, the purchaser did not notice it sufficiently to grumble. In certain governments indirect taxation was almost essential. The German Imperial Government needed revenue of its own, in addition to that required by the various states. But since it was forbidden to levy income-tax, it was driven to use the tariff, so adjusted as to compromise between revenue-producing and industry-protecting. The same applied to Australia during the years preceding the War.

Economic Arguments for Protection. The economic arguments for protection have undergone considerable changes during the last 130 years. The first modern protectionist was Alexander Hamilton, who in 1791 submitted to the United States Government a report in favour of such temporary protection as would enable industries to be established in that country. Hamilton said that America must be economically independent of Europe. He maintained that a diversity of industries would enable men to put their talents to the best use, and bring greater wealth to the young nation. Therefore, in order to get new occupations established, let a system of duties and prohibitions on manufactured articles be erected. This, supplemented by the encouragement of inventions, the giving of bounties, and the creation of a sound currency, would bring industries into existence and protect them during their passage through the infant stage. But the protection was only to be for a time, for when the industries had reached adult stature the tariff was to be abolished, and free trade become the rule. Thus in the beginning protection was advocated as a temporary and partial measure. It was to apply only to manufactured articles, and disappear when its purpose had been served.

This idea was elaborated by Frederick List, whose "National System of Political Economy" (1841) became the text-book of German protectionists. List declared that there were three stages in the economic growth of a nation. The first was agricultural. In this stage the best policy for the country was free imports, so that it might get its cloth, agricultural implements, etc., as cheaply as possible. But, said List, no nation can afford to remain permanently agricultural. If it does so, it is helpless when attacked, since it cannot supply its own war requirements. A bad season will ruin it if all its eggs are in the agricultural basket, and the closing of foreign markets against its produce may destroy its export trade. Therefore, no matter at what cost, the nation must pass sooner or later to the second stage, that of industrial development. During this period, its infant industries must be protected by a high tariff wall, and everything sacrificed to secure industrial strength. Under the influence of such a policy the nation will reach economic independence, supplying all its own essential requirements, agricultural and industrial alike, and safe against any fear of inadequate supplies in time of war. When that stage has been reached, industry and agriculture are alike able to stand alone, unaided by government support. They have won the home market, which is the most important one. Foreign competition is now desirable and not dangerous, in

order to compel producers to keep on the most efficient plane. Further, some native goods may even have a chance of finding markets abroad, bringing in return those commodities which other nations are especially well fitted to produce. Therefore let the third stage be ushered in—agriculture, industry, and foreign commerce—with full free trade as the final policy.

Most countries accepted List's arguments so far as the first two stages were concerned. But when it came to the removal of protection from grown-up industries, such as, for instance, the American or German steel trades, protests were made, and List was ignored. Instead of following List and Hamilton, protectionists turned to the arguments of two Americans, Henry Carey and Simon Patten, who advocated protection as a permanent policy for every branch of economic activity. The two chief arguments of these men ran somewhat as follows: (a) The cost of producing raw material and agricultural commodities is lower in some countries than in others, either because of the fertility of the soil, the character of the climate, the cheapness of land, the small amount of taxation or the low cost of labour. Therefore if free trade is the final state, less favoured countries will be unable to find profitable uses for their land and labour. To equalize conditions, therefore, a nation must handicap the produce of other lands, just as men are handicapped or horses weighted in a race. (b) A tariff not merely assists in the creation of industries; it also helps to establish a certain standard of living, with recognized rates of wages, interest, and profit. If this standard is high it may be wrecked by allowing the free entry of goods produced under a lower standard. For instance, America, behind her tariff, has built up industries worked by high-paid labour; but if those industries were subjected to the competition of Japanese or Chinese industries, where the workers are said to live on handfuls of rice, then the American standard could not hope to survive the test. Therefore protection must be a permanent policy, or at any rate must continue until the world is one nation, or until all nations enjoy the same economic, social, and political standards These arguments were widely accepted by modern protectionists, and most wage-earners who support protection do so because of their fear of the products of sweated alien labour.

Agricultural Competition. Most of the above arguments, and many others, centring on the fear of the destructive effects of foreign competition, were brought out into sharp relief after 1871 by the action of two countries, Russia and the United States. Various wars (1854-1878) loaded Russia with debt, the creditors for which were foreigners. During the same period the government was busily pushing a large scheme of state railways, and here again the money used was foreign. Further, Russia wished to get a stock of gold on which to found her currency. Finally, she was importing most of her manufactures. But her exports of goods, especially agricultural, were small, and so she had to pay interest on her national debt and pay for her manufactured imports with gold. She now determined to take drastic steps to turn this outflow of gold into an influx, and therefore erected a high tariff to keep out manufactured imports, while encouraging the export of timber, wheat, and butter by providing low railway freights to the ports. In this way she hoped not merely to meet her debts, but also to export such a surplus of corn that part payment would have to be made to her in gold. This policy was fairly successful, and under the shelter of the tariff new industries soon sprang up. Her industrial progress was, however, accomplished at the expense of the peasantry, who had to pay high prices for their

manufactured goods, while at the same time being compelled to sell their produce abroad at very low rates in order to find a market for it. This meant the flooding of Europe with cheap corn and butter.

A similar flood came from the United States. There, during the Civil War, a heavy tariff had been imposed to help pay for the war, and the manufacturing interests were so strong that the tariff was not reduced when peace came. Hence, on the one side, imports were discouraged. On the other, there was a big agricultural expansion, due to the erection of many railways into the very heart of the arable areas. In these districts of the Middle-West land was given to settlers, no manure was required for the production of crops, and barns or storehouses were unnecessary, because the wheat went straight from the field to the elevator. All this meant cheap production. Then the railways made it possible to take the grain to the ports, and the development in steamship traffic allowed cheap carriage to Europe. America was able to flood Europe with cheap food from the west, while Russia did it from the east. Australasia did its bit from the south.

The flood came in full force about 1879. Bad weather had prevailed throughout Western Europe in 1875-6-7, but in 1879 came perhaps the worst summer of the century. The sun seldom shone; the rain seldom stopped. Crops rotted unripe in the fields; there was a small harvest that year. This gave America and Russia their chance. Their corn invaded the market in much larger quantities than before, and, once in, stopped there. Its price was so low that European farmers could not hope to compete. The English farmer must realize 33/- a quarter if he was to pay his way, but the imported grain gave a handsome profit at 25/-. Hence during the years 1876-1893 wheat fell 52 per cent. in price, and the farmers had either to abandon wheat or get protection from their governments. In England they tried to turn from wheat to other products; but barley came down 37 per cent., oats 34 per cent., so there was no hope in that direction. In despair they turned arable land into pasture. In 20 years the area of arable land in Great Britain was reduced by over 2,000,000 acres. Cattle and dairy work were tried, but with no greater success, for butter, cheese, cattle, frozen meat, eggs, fruit, etc., came from the new countries with the provision of refrigeration facilities. Wherever he turned the farmer was beaten by the cheap imported produce. Between 1876 and 1893 beef fell in price 24 per cent., mutton 20 per cent., butter 25 per cent., cheese 30 per cent., and wool 50 per cent. Farms were deserted; between 1881 and 1901 the number of agricultural labourers and farm servants in England and Wales fell 30 per cent., and the capital value of agricultural land was reduced by 50 per cent. between 1875 and 1894.

The above figures apply to British conditions, but affairs in the other Western European countries promised to be as bad. In France disease ruined the vine crop and let in Italian wines. In Germany the chief fear was of American and Russian produce. In short, agriculture was shaken to its very foundations, and the rural interests in France, Germany, and to some extent in England, therefore clamoured loudly for protection.

Industrial Competition. Meanwhile international industrial competition was becoming keener by reason of the rise of new industrial powers. America made great strides after the Civil War; Germany's infant industries grew up with prodigious rapidity, while Japan's industrial expansion came after 1884. In each of these countries the competition of England was felt at first, and therefore industrial interests joined the farmers in demanding

tariff protection. This was granted, and once the wall had begun to be built additional layers of bricks were added from time to time. As part of the general policy preference was given to native ships, bounties were revived, railway rates were modified in the interest of certain industries, and restrictions placed on alien immigration, especially of Asiatics.

Protection in Great Britain. The cry of the ruined agriculturists in Britain fell on deaf ears, for that country, relying chiefly on its industrial supremacy, was willing to sacrifice agriculture, if by so doing it could obtain cheap food for the urban masses. It was doubtful if British soil could provide enough food for the huge industrial population, and therefore British labour and capital seemed far better employed in industry and commerce than in struggling against bad weather growing an inadequate corn supply. Agriculture did not matter so long as industries and commerce flourished. But when in the eighties German and American manufactures began to compete with those of Britain, even in British markets, the claims of protection received a little more attention. The long industrial depression of 1885-87 was attributed by some to foreign competition, and protection, dressed as a plea for "fair trade," for colonial preference, or for retaliation on those countries which had imposed a tariff on British goods, was vigorously advocated for a time. But industry recovered, and protection went into recess, until the next depression. It was not until 1903 that the policy received any strong support from leading men. In that year Mr. Chamberlain revived the whole subject as the basis for industrial protection and imperial unity. His suggestions were eventually adopted by the Conservative Party, and thus were kept well in the public mind. The depression of 1908 enabled protectionists to declare that, given protection, no such calamity would have occurred, but the existence of similar conditions in Germany and America, and the dawning of prosperity once more, pushed the agitation to the background. The great obstacle to the adoption of the Chamberlain policy was the difficulty of reconciling Imperial preference with the interests of Great Britain. The only imports from the dominions were foodstuffs and raw materials. But a duty placed on such goods when obtained outside the Empire would raise the price of food to the industrial wage-earners, as well as the price of raw materials to manufacturers. Further, if dominion corn were allowed to come in free, the British farmer would be no better off than before. In 1913, after much internal wrangling, the protectionists had to declare that they wanted imperial preference without a tax on foodstuffs, a plan which would benefit neither the dominions nor the British farmer. The whole controversy was party-political, and was fought with extreme bitterness.

Recent Developments. Since 1900 the slower increase in the world's production of foodstuffs has taxed the productivity of the world heavily to meet the demand. America, whose exportable surplus once caused the big agricultural depression, soon required all her produce for her own population, and even began to import supplies. The new areas opened up after 1860 had almost reached the limit of their expansion on an extensive scale, and the problem confronting the world in 1914 was not so much how to keep out alien produce as to find some country with supplies to spare. Prices had gone up in consequence, and British farmers were once more able to make profits, even without the aid of a tariff. In Germany, the growth of the industrial population threatened to outstrip the native supply of food, and a big scarcity during 1912-13 caused the manufacturing classes to agitate for

a reduction of the rates on imported food, in order to enable the nation to draw upon the supplies of other lands. This agitation, though frowned upon by the government, was making considerable headway, especially since at this time Germany was importing 15 per cent. of her food requirements. In America protection was waning; the arguments of Patten and Carey were disproved by the fact that higher wages were paid in unprotected industries than in protected ones. It was being generally felt that the tariff had outlived its usefulness, and was not benefiting anyone but the trusts, who behind its shelter were able to extract big prices from the consumer, while dumping their goods abroad at a lower rate. The return of President Wilson in 1912 was followed by a drastic downward revision of the tariff; food and certain kinds of machinery were placed on the free list, and the duties on manufactured goods were considerably reduced.

Effect of the War. Then came the War, with its emphasis on national sentiment, its inflammation of hate, and its demand for national self-sufficiency. On both sides demands began to be made for an economic grouping of Powers which would injure enemy trade during the years following the War. In Germany, Frederick Naumann's book, "Middle Europe," pleaded for a Central European economic union, with Germany, Austria-Hungary, Turkey, and Bulgaria working together to repair their shattered fortunes after the War. Whether the proposal ever received any official consideration is unknown, but the book helped in no small way to stir up opinion in Allied countries, and was partly responsible for the recommendations of the Paris Economic Conference, June, 1916. That conference passed many resolutions, mostly very general in character, which were to be suggested to the Allied governments as guiding principles for the period of transition after the War, and as proposals for the establishment of more permanent trade agreements which would secure inter-allied economic independence of enemy goods, favour inter-allied trade, and penalize that of enemy countries. Popular sentiment certainly seemed to favour the lengthy ostracism of German commerce, but American commercial interests refused to contemplate any such policy, and America's entry into the War made the Paris resolutions almost worthless. Still, the War saw many important changes in commercial policy. Great Britain and France in 1918 denounced all trade conventions or treaties containing any "most favoured nation" clause; Britain adopted imperial preference to a limited extent, and endeavoured to return to the old colonial policy of preferential claim on colonial produce by imposing an export duty on palm kernels exported from her West African possessions to any non-British ports.

The position since the Armistice is too clouded to allow of brief description, but some features stand out. The loss of home territory, ships, and colonies may reduce Germany to a third-rate commercial power, though one cannot be sure. The method by which her reparation is to be paid is still unsettled, but any payment in goods may seriously affect the industries of the countries to which those goods go. The war-time cry for a boycott of German wares is no longer heard, and it was a French minister who in January, 1920, declared that "there was no reason why France should obtain from America or Great Britain at heavy prices (because of the adverse exchange) goods which could be procured from Germany under more favourable terms." Other factors which may influence future developments are:— (1) The need to give some protection to the British farmer if he is to continue cultivation on the scale made necessary during the War; (2) the

need for a large revenue in order to pay interest on the national debts of the world, which may force governments to increase their tariffs; (3) the rise of Japan and America to great heights as exporting countries and the expansion of American shipping, which may cause a revival of navigation laws, and a struggle for control of undeveloped areas and supplies of raw material or fuel; (4) the establishment of the League of Nations, which may lead to the removal of international friction and the mellowing of national sentiments. (5) While the German reparation payments in kind may injure industries in countries receiving the indemnity, the war legacy of inter-Allied debts complicates the outlook for international trade. During the war Great Britain (and, in a less degree, France) lent money to her Allies, and all the European Allies borrowed heavily from the United States. Payment of interest or repayment of principal was waived until 1922. Unless these debts are cancelled the flood of goods sent by the debtor nations in payment of their obligations will have grave effects on American production and tariff policy.

Books Recommended. As in previous chapter. Also, Ashley, W. J., "The Tariff Problem"; Ashley, P., "Modern Tariff History"; Naumann, F., "Middle Europe"; Hobson, J. A., "The New Protectionism"; Gill, C., "National Power and Prosperity"; Keynes, J. M., "Economic Consequences of the Peace."

CHAPTER XI.

THE TARIFF HISTORY OF AUSTRALIA.

In Australia, as elsewhere, the vexed question of the relative merits of free trade and protection excited popular and parliamentary opinion from the advent of self-government until protection emerged triumphant in the first decade of the present century. The tariff, whether based on the "infant industry" or the "standard of living" argument, has been supplemented in many ways, especially since 1900. Attempts have been made to check the "dumping" of foreign goods at such prices as would injure native industries; the entry of cheap labour has been checked by restrictions on immigration; laws concerning shipping keep the interstate coastal trade in the hands of Australian companies; bounties have been offered in order to bring certain important industries into existence. In all these endeavours, Australia followed the example of other countries, but in one respect she tried to pioneer. The attempt to establish "New Protection" was a definite advance in tariff policy, for it tried to ensure that manufacturers did not use the protection given them to exploit either the workman or the consumer.

Early History. Until the coming of self-government in the fifties, the question of a protective tariff was never raised. Attention was centred almost solely on pastoral production. So long as Australia could pay for her manufactured articles by exporting wool, all seemed well, and as Great Britain had removed her duties on Australian wool a free-trade policy was accepted. Still revenue was wanted to meet the expenses of government, and so customs and port duties were levied. In 1791 Governor Phillip recommended a duty on all imported spirits, and many subsequent governors imposed heavy duties, port, tonnage, entry, clearance, light and other charges. In the customs rates preference was given to British or colonial imports. For instance, in 1836, foreign spirits entering Tasmania paid 12/- per gallon, while British gin paid only 9/-; "on all merchandise of foreign production or manufacture" a duty of 5 per cent. was charged, but British goods came in free. The rate was increased later to 15 per cent. But these duties were purely for revenue purposes; there was no idea of giving protection to Australian industries. There were really no industries to protect, except such as had grown up under the wing of the natural protection afforded by the cost of bringing heavy or perishable goods from Europe.

The granting of self-government was almost contemporaneous with the gold discoveries, and as Australia for a time concentrated on mining, and exported vast quantities of gold there was no desire for industrial expansion and little need for customs revenue. The miners' licences and the later tax on exported gold produced an adequate revenue. Many settlers had brought with them vivid recollection of the wretched conditions which had prevailed in England in the Corn Law days. The general policy, therefore, both in Victoria and New South Wales during the fifties was free trade. Should more revenue be needed, let the customs rates be raised on a few articles which were largely consumed, but were not necessaries of life—*e.g.*, tobacco.

liquors, etc. But even such increases were regarded with suspicion, and were removed as quickly as possible. Imports paid for exports, and in return for the millions of ounces of gold sent overseas Australia drew in manufactured necessaries and luxuries of life.

The Coming of Protection in Victoria. The bright days of gold-mining in Victoria came to an end about 1858. Rich yields near the surface were no longer found, and individual miners worked hard for scanty returns. Hence there was a big emigration from the diggings. What were the ex-miners to do? Go on the land? But most of them were miners or artisans by training, not farmers; and even had they wished to try farming the best lands were in the hands of squatters and speculators. Go into industries? But there were no manufactures existing, and the free-trade faith held by the legislature would prevent industries from coming into being. There seemed to be nothing for the men to do. Some could afford to go back to Europe; others emigrated to neighbouring States in search of work, and in 1859 45,000 people left Victoria. The remainder flocked to Melbourne and Geelong, and swelled the ranks of the unemployed there. These circumstances called for the opening of new avenues of employment in order to remove distress and find a use for the industrial talents of the population.

Other considerations contributed to create a feeling in favour of protection. The squatters and importers, who were strongly entrenched in the Legislative Council, were ardent free traders, almost anti-democrats, and opposed to any opening up of the land for settlement purposes. Hence popular opinion, expressed by the ex-miners, took the other side, and in supporting protection felt it was hitting the lords of the colony. Others supported protection because of anti-British or anti-imperial sentiments. Finally, the export duty of 2/6 per ounce on all gold exported had had to be paid by the miners, and as mining now provided a bare living for individual miners, or was in the hands of profit-seeking companies, both companies and miners combined to demand the abolition of an export duty which had to come out of their own pockets. This loss of revenue would have to be made up by fresh taxation, and a tariff seemed to be the best means of meeting the deficit.

David Syme. The above forces for a time found very little expression in the press, for the Victorian papers were strongly free trade. But with the appearance of David Syme on the journalistic stage protection found a powerful advocate. After experience on the diggings in California and Victoria, Syme purchased *The Age* in 1856, and from that day to his death in 1907 was one of the biggest forces moulding Australian public opinion. A man of unbending purpose and strong convictions, Syme, by dint of sheer persistent preaching, forced political opinion to accept his ideas, first in Victoria, and later in the Federal arena.

Syme watched with dismay the steady drift of population from his state, and determined that two remedies—drastic land laws and a tariff—must be applied. His protectionist views were part of his general abhorrence of *laissez-faire*. "I never could see any virtue in *laissez-faire*," he wrote. "To let things alone when they had gone wrong, to render no help when help was needed, is what no sane man would do with his private estate, and what no statesman would tolerate as a state policy. It is simply an excuse for incapacity or inertia in affairs of state. It is a policy of drift. It is just what the company promoter, the card-sharper, the wife-beater, and

the burglar would like—to be let alone. It can only lead to national disaster and social degeneration when carried out in any community. Why should the development of the material resources of a country alone be deemed unworthy of the notice of a statesman, especially when, by a system of import duties, this can be done with perfect safety and almost automatically, and with a minimum of interference with private interests?''

In this quotation we have the key to Syme's policy. The state must intervene wherever its actions can assist in fostering national well-being. The first two acts of the Victorian state must be land laws and a tariff. Syme began with the fight for better land laws, and having brought the struggle near to a successful conclusion turned to the tariff. His aim was the production of ''a nicely balanced industrial community, composite, stable, and progressive; a self-contained, self-supporting, independent nation,'' whose industries would be diverse enough to provide room for every kind of talent. He saw, as List had seen, the dangers which lay in the path of a nation of agricultural specialists, dependent on foreign lands for the sale of its produce and the purchase of its manufactured articles. Australia produced plentiful supplies of wool, tallow, and hides; why then should it not make some of these raw materials into cloth, candles, leather, etc., instead of sending them all abroad in their natural state. Further, Victoria had a suitable climate and soil for the production of wine, brandy, olive oil, preserved fruits, vegetable dyes, etc. Only one thing stood in the way—the policy of free imports. Therefore the state must ''provide inducements for the people to engage in manufactures, support the manufacturing industries, once they are established, against the devastating attacks of unrestricted foreign competition, and sustain them to maturity with a consistent and vigorous policy of national protection.'' To this infant industry argument Syme in later years added the ''living wage'' idea, and refused to be satisfied until Victoria possessed a tariff which would enable ''the local manufacturer to pay the local artisan a fair living wage, and at the same time enable him successfully to compete in the local market with the imported productions of underpaid foreign labour.''

Syme's advocacy of protection at first roused general ridicule, for how could the policy possess any value when Europe was at that moment discarding it. But ridicule soon gave place to belief in some and anger in others. Prominent politicians confessed their conversion, and protectionist leagues preached Syme's doctrines throughout the state. The big importing interests boycotted *The Age* by withdrawing their advertisements, and free-trade pamphlets were scattered broadcast. For four years Syme fought, aided by such stern allies as a declining gold output, insolvencies, destitution, and emigration. The fight came to a head in the elections of 1864, which resulted in the return of a large protectionist majority. A moderate tariff was introduced and passed the Assembly, but as the Legislative Council was known to be hostile to the proposal an attempt was made to evade opposition by ''tacking'' the tariff on to the Appropriation Bill. The Council could not amend that bill; it must either pass or reject it in its entirety. It ''laid aside'' the bill—a virtual rejection—and a deadlock ensued. There was no money for government work or salaries, so the Ministry began to borrow from a private bank. After nearly a year's deadlock the tariff was submitted separately, and again rejected (November, 1865.) A dissolution followed, and the new Assembly was even more protectionist than its predecessor. Again the Council rejected the tariff,

but eventually, at a conference of both Houses, climbed down. Thus in 1866 protection became the policy of Victoria.

Syme was far from being satisfied with the tariff rates, which averaged 10 per cent. He regarded them as inadequate for protective purposes, and during the subsequent decades strove successfully to obtain higher charges. In 1877, and again in 1892, the tariff wall was raised (up to 30 per cent. duties), though in 1896 some reductions were made. The tariff of 1877, which was framed under Syme's direct supervision, was secured after a second encounter with the Council, during which the refusal to "grant supply" compelled Cabinet to dismiss most of the public servants.

Between 1865 and 1900 Victoria built up a diversity of industries, catering partly for its own needs and also sending some of its wares to New South Wales and other adjacent states. Melbourne became the commercial and financial centre of the continent, and Victorian capital went to aid in the development of Queensland and Western Australia. Agriculture and pastoral pursuits progressed, while the expenditure of loan money and the revenue from land sales on internal improvements helped to open up the northern and western parts of the state. To what extent this progress was due to the protective policy one cannot say. Rural progress was largely aided by land laws, railway development, irrigation, and the coming of refrigeration; industrial progress by the steady growth of the rural market, the industrial traditions of the people, and the fact that Melbourne was a convenient centre for overseas trade with Tasmania, South Australia, and New South Wales. Statistical comparisons with free-trade New South Wales are of little value, as many factors besides the tariff are concerned. But in view of Syme's great expectations, it certainly seems disappointing to find that in 1903 there were more "industrial workers" in New South Wales than in Victoria. One-eighth of the Victorian people came under this heading, as against one-tenth in New South Wales. Population in Victoria increased 40 per cent. between 1881 and 1903, while in the older state it grew 92 per cent. Again, the capital invested in manufacturing industries in 1903 was £20,407,000 in Victoria, as against £19,396,000 in New South Wales. Thus Victoria's policy placed her very little, if any, ahead of New South Wales industrially. It did not bring to the Victorian worker any better "fair living wage" than was paid in the neighbouring state. "Sweating" was not unknown in Melbourne, nor did emigration from the state end with the victory of Syme's ideas.

Free Trade in New South Wales. While Victoria went further and further towards protection, New South Wales seldom moved far from the old free-trade position. The reasons for this were: (1) It was thought that New South Wales would benefit by keeping Sydney a free port while Melbourne became customs-ridden. This, plus a fine harbour and abundant mineral resources, should enable New South Wales to become the leading commercial and industrial state. Sydney overlooked the fact that until Queensland developed and trade with America and the East grew, Melbourne had the more central geographical position. (2) There was no David Syme in New South Wales. The press generally was free trade. (3) Free trade had a stalwart champion in Henry Parkes. Parkes remembered the days of starvation and depression and the dismal homes of the Corn Law days in England. To him that was what protection meant. He was an ardent student of John Stuart Mill, and used to combat protection in Parliament by reading long passages of Mill's "Principles of Political Economy." He

was also a great admirer of Peel and the free traders of Europe. Hence protection to him was a thing "utterly opposed to the principles which regulated English legislation, and also opposed to sound principles of political economy." Tariffs "only encouraged a sickly growth, subject to artificial fluctuations, and which sooner or later must perish and inflict serious consequences or injuries on the country." If revenue was needed, then instead of raising it by means of a tariff, let stamp duties, income-tax, or land tax be imposed. Parkes had all the optimistic faith of the individualist in the invigorating efforts of competition, and a profound distrust of any official meddling. Reid, who took Parkes' place in the nineties, was more pessimistic, despairing of any big industrial progress "until we are so great a nation that we have pauper labour of our own." How are we going to compete with these underpaid, sweated countries (England and Germany) until our own labour is underpaid and sweated too? . . . In the plenitude of time, when our millions become tens of millions, we shall have a crop of misery which will solve the difficulty in regard to cheap manufactures."

Under the influence of such ideas, protection made small headway in the parent state. Deas Thompson's free-trade policy of 1852 held the field until 1864, when a deficit of £400,000 compelled the government to suggest a bigger customs list. This was rejected by the Legislative Council, and the subsequent elections returned a free-trade majority. The new Ministry, however, performed a somersault, and imposed a 5 per cent. duty on most imports. Then Parkes came into power in 1873, and one of his first acts was to reduce the number of duties from about 250 to 55, abolish tonnage dues at Newcastle, and remove postal charges on newspapers. From that time onwards there were occasional see-saws. In 1886 Dibbs raised the tariff, and Parker lowered it again the following year. Dibbs once more increased it in 1891, but Reid discarded it in 1895.

The other states steered a middle course. Their tariffs crept up gradually under the influence of protectionist ideas, but never reached the heights attained by the Victorian customs list.

The Tariff and Federation. The idea of federation was first mooted in 1846, and during the next five years was urged from many quarters. In 1849 a committee of the Privy Council, in reporting on the Australian constitutions, pointed out that if the separate colonies were each given power to frame their own tariffs "so great would be the evil, and such the obstruction to inter-colonial trade, and so great the check to the development of the resources . . . that it seems . . . necessary that there should be one tariff common to them all, so that goods might be carried from one into the other with the same absolute freedom as between any two adjacent counties in England." Alterations in the tariff were to be submitted to an authority created to act for all the colonies jointly, and this federal body should be given control over customs, postage, shipping dues, weights, measures, etc. But the idea was premature, and although never abandoned during subsequent decades, had to wait 50 years for its fulfilment. In the various state constitutions each government had full power to erect tariff walls, provided no preferential rates were given to any other colony, to Great Britain, or to a foreign country. All must be on the same level.

During the frequent inter-colonial discussions which followed self-government, the tariff was often found to be the chief stumbling-block.

Victoria feared that the coming of interstate free trade would take her Riverina trade to its natural outlet, Sydney, and thus deprive her railways of a revenue which in the nineties amounted to £44,000 a year. She also saw that her industries would have to bear the keen competition of those which had grown up, or would grow up, near the New South Wales coal area. Further, it seemed probable that the cattle of New South Wales would come into Victoria, be sold more cheaply, and ruin the local industry.

The navigation of the Murray, which served three states, also caused trouble. In the fifties the South Australian duties were lower than those of Victoria. If free trade were allowed across the border, duty being paid at Adelaide, goods would enter Victoria by the back-door more cheaply than by the front. Hence, when Victoria adopted protection, border duties had to be imposed against both South Australia and New South Wales. The vignerons of Albury, on the New South Wales border, had to pay 3/- a gallon in order to get their wine across the narrow stream into Victoria, and many petty disputes arose about border duties. The need for reciprocity, or for an inter-colonial customs union, became more and more evident. Resolutions were passed, laws enacted, agreements made, but nothing permanent was achieved. When finally, in the nineties, public opinion, interstate railway communication, and political considerations made federation inevitable, the tariff still remained a thorny question. New South Wales looked askance at the imposition of a tariff, and Victoria feared the effects of lower duties and interstate competition. But the plunge was taken.

The First Federal Tariff. The chief duty of the first Federal Parliament was to deal with the tariff. The situation was extremely complicated, and bristled with difficulties. A moderate tariff would be too high to please Sydney and too low to please Melbourne. Sir Edmund Barton, the first prime minister, was a protectionist, but the two Houses contained very divergent elements, even in the Labour Party. The press was equally divided. But the determining factor which over-rode all other considerations was the need for revenue. With Federation the states surrendered the right to levy customs and excise duties; this loss of a large slice of revenue must be made up from the coffers of the Federal treasury. In 1897 it had been decided, on the motion of Sir Richard Braddon, that the states were for a period to receive three-quarters of the Federal customs and excise income, and as they now wanted about £6,000,000 from this source the central government had to raise at least £8,000,000 a year. This meant a tariff, but one low enough to let goods come in in such large quantities that £8,000,000 might be raised on them. A compromise was reached, and the Governor-General announced in his first speech that while revenue must be the first consideration, existing tariffs had allowed industries, some of them large ones, to grow up in all the states. Therefore "any policy tending to destroy them is inadmissable; a tariff which gives fair consideration to these factors must necessarily operate protectively as well as for the production of revenue."

The free traders were not satisfied. They had to swallow import duties, but declared that these should be framed solely with the aim of raising revenue. A battle royal was therefore waged during 1901-2 around this issue—a revenue-tariff or a revenue-plus-protection-tariff? On the general issue Reid nearly defeated the government; every item of the schedule was hotly debated in both Houses, and the rates were frequently reduced. The tariff which finally received the royal assent in September,

1902, pleased nobody. The rates varied from 5 to 25 per cent.; on apparel 25 per cent. was imposed, but for other goods about 10-12 per cent. was the rule. In some items it was lower than the old Victorian rates, and Mr. Deakin declared that it would be disastrous to some of the struggling industries of that state. The government offered to revise it at an early date if necessary, and promised to introduce a generous system of bounties as soon as possible.

On this first tariff the Labour Party, though divided in its allegiance between free trade and protection, generally supported the government. It opposed duties on cotton goods, tea, kerosene, etc., articles largely required by the poor and incapable of being produced in Australia; but the adoption of certain Labour proposals by Barton (especially the White Australia policy) swung the Labour vote on to the side of Barton rather than that of Reid.

From 1902 to 1908 discussion on tariff matters was occasionally raised, and at times caused bitter controversy; commissions reported at length; the 1903 election was fought partly on the tariff and imperial preference; but the rates fixed in 1902 remained almost unaltered for six years. In spite of the lamentations of those who sought a higher tariff, manufacturing industries made steady progress between 1903 and 1908. The number of factories grew from 11,560 to 12,860, the horse-power from 180,000 to 247,000. The body of wage-earners concerned rose from 196,000 to 257,000, an increase much greater proportionately than that of the total population. The value of plant and machinery went up from £20,000,000 to £26,000,000. This growth was not confined to New South Wales nor to any one state. New South Wales benefited greatly, and many new industries were attracted towards the coalfields of that state, while a few firms actually migrated from Melbourne to Sydney. But Victoria progressed also; Queensland and South Australia could show substantial advances. The low tariff of 1902 was evidently not too low to allow considerable progress, even in a country so recently stricken by severe drought.

The 1908 Tariff. To the Deakin school this advance was too slow. But although Deakin came into power in July, 1905, and maintained his supremacy for three and a half years, the desired revision of the tariff was not carried through until 1908. Many Liberals were still undecided as to the need for higher duties, and the Labour Party would only give its support in return for important concessions to the wage-earner. Deakin, therefore, set out to win that support, the price of which was New Protection. Then, with the Labour vote secure, tariff revision was begun in the long session of 1907-8. The new schedule, containing over 440 items, and with rates almost double those of 1902, was debated with vigour. Lobbying was general, and each industry did its utmost to secure the greatest possible benefit for itself. Sharp disagreements arose between the two Houses, and many compromises had to be accepted. Still, to secure rates ranging up to 35 or 40 per cent. was a big victory for the protectionists. The new act granted a preferential rate, generally about 5 per cent. reduction, to British goods.

During the years which followed many requests were made for a still higher tariff, and manufacturers were usually ready to declare that the existing rates were ruinously low. In 1911 a few rates were increased, and in 1913 the Interstate Commission, which had just been appointed to safeguard interstate free trade, was asked to investigate the effect and operation

of the tariff laws, point out where further protective assistance was needed, indicate any anomalies which might exist, and suggest how the cost of the necessaries of life might be reduced without injuring the tariff policy or the existing industries. Before examining the report of this commission, let us look at the various "side-lines" and experiments of the period.

Sugar and White Labour. One of the first acts of the Federal Parliament was the abolition of kanaka labour from the Queensland sugar plantations. No more coloured labour could be introduced, and the existing supply was to be removed by 1907. A tariff of £6 per ton was imposed upon all imported sugar, but at the same time an excise duty of £3 per ton was levied on the local product. In order, however, to encourage growers to get rid quickly of their coloured employees, a rebate of £2 was allowed on sugar produced by white labour only. This rebate was altered in 1903 into a bounty, which was to expire in 1907. In 1905 it was extended until 1912, and whilst the excise duty was increased to £4 the bonus on sugar produced by white labour was raised to £3. In return for this concession and large measure of protection, the sugar grower was required to prove that he was paying the standard rate of wages prevailing in the district. If he fulfilled these conditions the net protection given him amounted to £5 per ton. In 1912 both excise and bounty were abolished, conditionally upon the Queensland government approving of legislation which prohibited the employment of coloured labour in the industry. Under the influence of this legislation the sugar plantations have been almost cleared of coloured labour; in 1902, 68 per cent. of the sugar produced in Australia was the work of coloured labour; in 1911, only 6 per cent. In spite of the large measure of protection the progress of the industry has been very fitful. The acreage under sugar-cane between 1901 and 1919 increased only 31 per cent.; the yield of cane increased, but with violent fluctuations. The net importation fell rapidly up to 1906, and in 1907 exports exceeded imports. Since that date on only one occasion has the country been able to do without foreign supplies. The whole industry is subject to great fluctuations, due to climate, labour conditions, the policy of the refining company which monopolizes the industry, and the vacillating conduct of governments.

Bounties. Bounties were urged as an alternative to the tariff from the first days of the Federal Parliament. The idea underlying the bounty is that instead of raising the cost of imported goods by a customs duty, those goods shall be allowed to enter free. This would mean that they might sell at say £6 per unit. But the local manufacturer cannot sell his wares at less than £6 10/- if he is to pay his way and make a profit. Therefore let him sell at £6, like his foreign competitors, and let the state give him the additional 10/- as bonus or bounty. He benefits as much as he would by a 10/- duty, and the consumers get all the goods at £6 instead of all at £6 10/. True, the state thereby loses some of its customs revenue, but the amount is probably not large.

This plan was put forward by Kingston in 1901, and a big scheme of bounties promised. In 1902 a select committee was appointed to enquire into the question of giving bounties to foster the growth of the iron and steel industry. The whole unfortunate history of that industry was surveyed, and glowing pictures were painted by witnesses of the extent and quality of the ore deposits. On the casting vote of the chairman a majority report recommended a bonus on all iron and steel manufactured from Australian ore, and on zinciferous ores treated locally. The minority, amongst

whom were Messrs. Hughes and Cook, opposed the proposal, because the bounty-receivers would soon demand a tariff as well, because the time was not yet ripe for such industries in Australia, and because while large sums "of the people's money" would be paid "to private individuals engaged in an industry for their private gain, there can be no guarantee that the bonuses proposed would permanently establish the industry, though it is probable the inducements offered might be instrumental in forming speculative companies." In view of such a report no action was taken until 1906, when Lyne introduced and carried a Bounties Bill. Parliament in 1907 allotted £340,000, to be devoted during the next fifteen years to paying bonuses on the production of certain scheduled goods, including cotton, flax, hemp, rice, rubber, coffee, tobacco, preserved fish, dried fruits, and combed wool. No industry was to receive more than £10,000 a year in bonuses, and the money could be paid only on goods grown or produced by white labour. The Manufacturers' Encouragement Act of 1908 provided for a bounty of 12/- per ton on all pig-iron and steel made from Australian ore between 1908 and 1914, with a 10 per cent. bounty on iron or steel sheets, wire, netting, and tubes, subject to the payment of wages which were declared by the Arbitration Court to be fair and reasonable. Two years later the Shale Oil Bounties Act provided for the payment of a bonus of 2d. per gallon on all kerosene, and 2/6 per cwt. on all refined paraffin wax produced from Australian shale oil during the next three years.

These bounties had little effect. That on tropical products failed to produce any considerable extension of such cultivation. In the year 1916-17 only £488 was paid on tobacco, £26 on fibres, flax, and hemp, and £2,060 to dried fruit producers. When the shale oil bounty expired in 1913 only about 120,000 gallons of kerosene were being produced yearly in the whole continent. A new bounty on crude shale oil was offered in 1917, and claimed on 6,000,000 gallons by 1920. The iron bounty, along with the higher tariff of 1908, caused some expansion in the treatment of Australian ore, though little was really achieved until the opening of the Newcastle steel works in 1915.

Imperial Preference. Preferential trade roused much discussion in the general election of 1903, when Mr. Chamberlain's campaign in England brought to light a body of supporters in Australia. Thanks to the biassed character of the cable service it was supposed that the tariff reform movement in England was carrying all before it, and that the election of 1906 would result in the return of a government pledged to a policy of imperial preference. The crushing defeat of the British imperialists failed to quench the zeal for preference, and in 1906 reciprocal arrangements were made with South Africa, by which each country gave the other preferential rates on certain scheduled imports. It is doubtful whether this arrangement has had any effect on the trade of either country. An attempt to arrange reciprocal preference with New Zealand collapsed with the death of Mr. Seddon, for the fruit-growers, farmers, and millers of that country were opposed to any concessions being given to a rival which produced the same things as they did.

Meanwhile the possibility of granting some preference to British goods was discussed throughout 1906. The arguments for the proposal generally contained the phrase "blood is thicker than water," and the assertion that Australia was only following the example set by Canada, New Zealand, and South Africa. But the protectionist could not afford to allow any reduction

of the existing tariff in favour of England, for England after all was still the chief exporter against whose goods protection had to be given to the local man. If she was to have preference, it could only be by raising the duties on goods from elsewhere—an excellent thing from the protectionist's point of view, for he could thus advance his cause under the guise of imperial brotherhood.

Then came the Imperial Conference of 1907, to which Mr. Deakin took the proposal that all-round preference should be established, each dominion giving concessions to British and dominion goods, and Britain granting "preferential treatment to the products and manufactures of the colonies." But the British ministers, returned on a strong free trade platform, gave the proposal a very cold reception, and Mr. Deakin returned disappointed at the blind obstinacy of Downing Street. He began the task of overhauling the 1902 tariff, and the revised rates were nearly all accompanied by a grant of preference to British goods. But the grant was of mixed value to the British manufacturer, for the old rate was first doubled and then a concession of about 5 per cent. made on nearly 300 items. On the old schedule, the rate might be 12½ per cent. all round; on the new it was 25 per cent for non-British and 20 per cent. for British. Up to 1914 this preference affected about 60 per cent. of the goods imported from the United Kingdom; tariff revisions of 1914 and 1920 extended the preference to much of the other 40 per cent.

Dumping and Trust-Breaking. The busy parliament of 1906 attempted to deal with two dangers which might confront the country. The first was "dumping." It was feared that some overseas producers might be willing to sell their goods at a very low cost in Australia in order to kill infant industries or prevent new ones from being born. The steel, tobacco, and oil trusts of America were especially feared, and "dumping" by them or anyone else must be prevented. The Australian Industries Preservation Act (1906) therefore decreed that if the Controller-General of Customs had reason to believe that any person was sending any goods to Australia with intent to destroy or injure a local industry by selling them "in unfair competition with Australian goods," he could refer the matter to a judge of the High Court; if that judge, "guided by good conscience and the merits of the case, without regard to legal forms and technicalities," confirmed the suspicions of the Controller-General, the goods might be forbidden entry. "Unfair competition" was defined in six sub-sections of the act, but still it would be difficult to prove that an importer was acting "with intent to destroy or injure," and this part of the act has therefore never been brought into operation.

The second danger was that behind the tariff wall local trusts or branches of foreign trusts might spring up and exploit the consumer. The same act therefore copied large slices out of the American Sherman Act of 1890. It declared that any person or company, whether acting as principal or agent, that entered into any contract to restrain trade or commerce or to destroy or injure by means of unfair competition any desirable local industry, was liable to a penalty of £500. Any monopoly built up with "intent to control," to the detriment of the public, the supply or price of any service or commodity, was liable to the same penalty. Two cases were soon brought before the High Court, but both failed, and the Court pointed out that some of the clauses were *ultra vires*. It was almost impossible to prove "intent" to injure, control, or destroy; the act was so amended in

1908 as to lay the onus of proving innocence upon the accused; in 1910 a further amendment eliminated the necessity of proving that the accused was actuated by any harmful "intent." But the act has been a dead letter, and meanwhile local and overseas trusts or honourable understandings have effectively secured "control" over nearly every branch of production and sale.

"New Protection." When Syme advocated protection in the sixties and seventies he stressed the argument that a high tariff would ensure steady employment and good wages. But a simple customs tariff, while protecting the local manufacturer, leaves untouched the treatment meted out to the employee and the consumer. The result may be the growth of industries which, especially if they become trustified, may give low wages to their workmen and extort high prices from the purchaser. It was seen, therefore, that a new form of protection was needed—one which would guarantee the Australian market to the local producer, good wages and industrial conditions to the worker, and a reasonable price to the consumer.

An attempt was made in 1906 to turn this ideal into reality. The issue arose out of allegations that an American trust was dumping agricultural machinery into Australia, with intent to crush H. V. McKay's industry. The Industries Preservation Act was designed to check this, but parliament went further. It raised the customs duty on stripper-harvesters to £12, and on drills and other appliances to 20 or 25 per cent. At the same time the price of Australian machines was fixed, and the act declared that if this price were exceeded the government should have the right to reduce the import duty by one-half. This was to protect the consumer against the local manufacturer. The workman was to be protected in another way. An excise duty, amounting to half the customs rates, was imposed on all locally-produced implements, but manufacturers could be excused from paying this excise if the conditions for labour in their factories were (a) declared by Parliament to be fair and reasonable, (b) in accord with an award of the Federal Arbitration Court, (c) in keeping with an industrial agreement filed with that Court, or (d) declared by the President of the Court to be "fair and reasonable." Conditional protection was the aim, and this implied the right of the federal government not merely to give uniform protection throughout the continent, but also to impose uniform minimum conditions of employment. Mr. Deakin declared that unless the two things went together "the policy of protection must remain incomplete."

This interesting piece of legislation was soon put to the test, and broke down completely. Manufacturers welcomed the increased protection, but only one firm sold its wares at the price fixed, and all firms compensated themselves for reduced prices by charging from 15 to 25 per cent. interest on instalment purchases. The schedule of prices fixed by parliament was useless, since it made no allowance for differing weights of machines, for an increase in price if the cost of production went up, or for harvesters over 6 ft. in width. The wages provision was no less futile. In Adelaide a conference of employers and workmen agreed upon a "fair and reasonable" scale of wages, and in New South Wales many firms received exemption from the excise. But other manufacturers willingly paid the excise rather than pay better wages, and one man reduced wages by 10 per cent. in order to be able to pay the duty. In Victoria McKay applied to the Arbitration Court for exemption from excise. Mr. Justice Higgins

dismissed the application on the ground that McKay was not paying fair and reasonable wages. A minimum of 7/- a day for unskilled labourers was laid down by the judge. McKay refused to alter his wage-list, and took the matter to the High Court. Here the Excise Act was declared unconstitutional, in that it attempted to regulate the internal trade and industry of the states, and contained provisions dealing with other matters than the imposition of taxation. At once a storm broke out, for the Labour Party had given its support to New Protection, only to find the word "New" crossed out. The only way out was either to amend the constitution in order to give the Federal Parliament wider powers, or to get a uniform standard of industrial regulation in all the states. Neither of these things has yet been secured, but "fair and reasonable" wages regulation has advanced considerably since 1907.

The 1908 Tariff at Work. In 1913 the Interstate Commission commenced its enquiry into the workings and results of the 1908 tariff, and from its report we get a picture of the progress achieved between 1908 and 1913. During that time the number of factories had increased by 2,683, *i.e.*, 21 per cent.; the employees had grown in number nearly 80,000, *i.e.*, 32 per cent.; the value of plant and machinery had increased £11,000,000, *i.e.*, 43 per cent.; payments for wages, raw material, light, and fuel had expanded £50,000,000, *i.e.*, 60 per cent.; while the value of the product had grown £62,000,000, *i.e.*, 62 per cent. The period was one of abundant primary production and of rising prices, and hence the money figures exaggerate the amount of actual expansion. Yet the rate of increase in the value of plant and machinery and in the number of persons employed is scarcely any greater than during the period of low tariff, 1903-8. To what extent Australian production ousted foreign goods during the period it is difficult to say. While the value of the product of local factories grew 62 per cent., that of dutiable imports (less the duty paid) grew 54 per cent., and free imports, which largely comprised things Australia cannot produce or raw materials, increased 71 per cent. It seems evident, however, that there had been a comparative decrease in the importation of goods carrying high duties, and that in these lines the proportion of imports to local manufactures was slowly declining. The chief expansion of manufacture was in metal and machine works and in factories turning out boots, cloth, and clothes; in these industries the number of workers grew 35,000 out of a total increase of nearly 80,000. By 1913 over 86 per cent. of the total boot and shoe demand was met by local factories; 84 per cent. of the leather, and 80 per cent. of the apparel used in the continent was produced here. The chief imports were still apparel, cloth, cotton pieces and goods, metal manufactured goods and machinery, which between them comprised nearly half the £80,000,000 of imports in 1913.

The tariff had been built up devoid of any general plan or formula. Generally speaking, it had been assumed that raw materials which could not, for a long time at any rate, be produced here, and manufactured goods which Australia could not hope to make for itself should be admitted free or at low rates. But in practice the "omnibus" character of the tariff created many contradictions and impeded the progress of many industries. The raw material of one industry is the finished product of another, and tariff encouragement given to both industries may fail to stimulate the growth of either. Hence certain desirable industries might have made greater progress had not their necessary raw material, semi-manufactured

requirements, or machinery, been taxed. A heavy duty on sugar failed to make the continent self-sufficing, and hit hard the development of a big export trade in confectionery, jam, etc. The making of light woollen garments was burdened by the heavy duty on piece goods, which are not made here; the duties on machinery—machinery which is big, complex, expensive, and protected by patents—made it difficult for local manufacturers to afford the most up-to-date plant. In short, there was in the 1908 tariff very little attempt to say "First things first." A tariff was imposed on practically everything in the hope that out of it some industries might grow up. Of the clash of interests, of the fact that a duty on one article cancelled the benefit of a duty on another, little account was taken. The Interstate Commission made some attempt to remedy this defect by pointing out where the tariff should be increased or relaxed. At the same time it indicated that in certain directions a tariff was undesirable, but that the offer of a bounty might give the necessary stimulus to new enterprises.

Of other factors affecting the progress of industry, the chief is the attention given to up-to-date methods of production. The Commission found that in many instances factories were badly situated or arranged, obsolete machinery and accountancy methods in use; the utilization of by-products was ignored, and the relation between science and industry disregarded. The tariff had buttressed up conservatism in production, and allowed manufacturers to neglect the need for keeping abreast of the times in their methods and management. Heavy interstate freights and the prejudice against the local product were also obstacles to industrial development, while the descent of some manufacturers to the production of "shoddy" boots, and of retailers to the labelling of mixed cotton and woollen fabrics as "colonial flannel" did not increase the popularity of the home-made article.

The growth of manufactures since Federation has been to some extent at the expense of rural industries. The increase in the cost of commodities has reacted on the country worker, and the attraction of high wages and social conveniences in the capitals has drawn men and women from rural occupations. Hence, while the population of the continent rose between 1901 and 1911 by 18 per cent. and the number employed in factories by 58 per cent., the number of persons engaged in primary production grew only 10 per cent. The number of women in secondary industries rose 97 per cent., but that of women in primary industries fell 59 per cent.

Since 1914. Soon after the outbreak of war the tariff was increased on most items, largely in order to get additional revenue. The years which followed saw Australian industries enjoy an uneven balance of advantages and disadvantages. The disappearance of German goods and the diminished supplies of British wares gave the Australian manufacturer a natural protection such as he had never before enjoyed. Japanese and American products came in large quantities, but on these the freights were so high and, in the case of Japanese goods, the quality was so bad that the local manufacturer was able to capture the market in several new directions—*e.g.*, foodstuffs, confectionery, iron, etc. On the other hand, the establishment of new industries was rendered difficult because it was impossible to get plant or important subsidiary products from overseas. Nevertheless there was expansion in such industries as the building of motor bodies, the manufacture of chemicals, and the treatment of metals, especially iron and steel. A long story of unsuccessful small-scale efforts to treat Australian iron ore

came to an end with the opening of the Newcastle steel works in 1915. The Broken Hill Proprietary Company faced the problem boldly, and laid down a large, well-equipped plant. By 1920 over £3,000,000 had been invested in plant and machinery; over 5,000 men were employed, and the annual output had risen to nearly 200,000 tons of steel. Around these works the manufacture of galvanized iron, wire, and nails grew up, and Newcastle promised to become the Sheffield of Australia. Second only to the steel industry was the rise of ship-building. The lack of tonnage during the war compelled the Federal Government to make determined efforts to build ships; great difficulties were encountered, but by the end of 1920 about 70,000 tons of shipping had been constructed.

When peace came and the prospect of increased imports revived, the industrial interests of the continent clamoured for a further increase in the tariff. They succeeded, and the revised tariff of March, 1920, gave slightly increased rates on some commodities and greatly increased rates on others. The arguments put forward in support of this revision are familiar; the need for self-sufficiency in view of a possible next great war, the folly of exporting or of leaving unutilized our raw materials, the stupidity of "sending money out of Australia to furnish employment for people in other lands and develop the resources of other countries," the need for protecting industries which had grown up during the war and for inducing capitalists to establish new industries; all these considerations were advanced. At the same time there was a tacit recognition that more revenue must be obtained, and the tariff seemed to be an easy means to that end.

The 1920 tariff contains many interesting features. The protection afforded to the iron and steel industry is considerable, as is also that given to chemical manufactures. Rates on clothing imports are advanced in many cases; many articles required by the mining and agricultural industries show increases which may add to the cost of primary production. Preference to the United Kingdom is accentuated, for on most items the rate on British imports is at least 10 per cent. (and in some cases 20 per cent.) below the general tariff figure. Provision is made by which other dominions and certain foreign countries can be given a rate lower than that in the general list. The tariff is a "three-decker tariff," with British, intermediate, and general lists; those countries which would ordinarily come under the general list may by reciprocal agreement be allowed to import under the intermediate list. The immediate effect of the new tariff has been almost solely an enormous increase in customs revenue. The establishment of some new factories is already well under way, but it is still too early to see to what extent capital and labour will come into the country to take advantage of the higher protection offered. Meanwhile, 1920 saw a phenomenal increase in imports, and the customs receipts rose to over £3,000,000 a month, a fact which is not without its influence on the high cost of living.

Books Recommended. Syme, D., "Principles of an Industrial Science"; Pratt, A., "David Syme, Father of Protection in Australia"; Parkes, H., "Speeches"; Chomley, C. H., "Protection in Canada and Australasia"; Turner, G. H., "The First Decade of the Australian Commonwealth"; Wise, B. R., "The Commonwealth of Australia"; Interstate Commission Report on Tariff, 1915; Australian Tariff Handbook, 1919.

CHAPTER XII.

PRINCIPLES AND HISTORY OF INDUSTRIAL LEGISLATION.

Modern politics is marked by the ever-growing interest of the state in the regulation of industrial conditions. This interest is by no means new, for during almost every age the local or national authority has been compelled to intervene in industrial life, and prescribe certain minimum or maximum conditions for the control of economic activity. The mediaeval guilds and towns had their rules concerning wages and hours of labour. Then, as towns and guilds declined in importance, the state took up the work and provided machinery for the control of wages, hours of labour, apprenticeship, etc. The Industrial Revolution upset the old economic order, and created new conditions of employment. Simultaneously with this change, individualism converted statesmen to the belief that the state should not interfere in industrial affairs. Under the influence of this theory governments for many years kept their hands off the economic machine, or when compelled by the revelation of some industrial horror to intervene, kept the interference down to a minimum. But facts are stubborn things, and, as the unpleasant results of the Industrial Revolution became apparent, the sphere of state regulation had of necessity to be widened. Even before 1850 a considerable structure of industrial laws had been built up, and during the next half-century the regulation of industrial conditions came to be recognized once more as an integral part of the duties of statesmen. Once this had been admitted, the scope of such regulation became almost unlimited, and certain broad principles were laid down. Let us examine these principles.

Principles of Industrial Regulation. The state, in the interests of the nation as a whole, must concern itself with the conditions of industrial life. The aim of industry is the production of wealth, for those who provide the necessary capital. In order to get his work done, the employer makes a contract with his employee. The latter is quite free to seek what employment he likes, and to accept or refuse any job which may be offered him. In theory, if he accepts a position, it is because the terms are satisfactory to him. In practice, however, he has little choice, and must accept the best he can get. Hence the conditions of employment may be very bad, and detrimental to the health, safety, or happiness of those employed. But the state cannot allow wealth to be made regardless of the effect on the wage-earner; it cannot allow industry to be carried on at the expense of the nation's flesh and blood. Therefore it must regulate industry by fixing certain safeguards; it must limit to some extent the employer's right to buy his labour in the cheapest market. If the employer is seeking to exploit labour to the utmost, the state must put a belt round the wage-earner, below which the employer must not hit. At first this belt was fixed near the employee's ankles; it was then gradually raised until, in the opinion of some people, it threatens to become a halo.

Having admitted these principles, the question then arises, Which workers are to be protected? At first the state intervened only on behalf of

those who were unable to fight for themselves—*i.e.*, children, and then women. Men were supposed to be strong enough to look after their own interests, either in their capacity as citizens or as members of trade unions. But gradually the sphere of regulation was extended to men also; the Plimsoll Line, wages laws, the legal eight-hour day, workmen's compensation, and insurance legislation, all dealt with male labour. To-day little or no distinction of sex is made in the framing of industrial enactments.

The next question to be answered was, What sort of protection is needed? Three aspects of modern industry called for attention. (1) At what age should persons be allowed to begin work? The state must decree some minimum age. At first this age was very low, but has gradually been raised and promises to be taken even higher. Should females be allowed to begin work at the same age as males? Further, should women be forbidden entry into some occupations—*e.g.*, mining? (2) For what hours and under what conditions should wage-earners be allowed to work? This question raised the whole problem of maximum hours for young persons, women, and men, the regulation of overtime, and the provision of a statutory number of holidays. It also compelled the state to prescribe minimum conditions of sanitation, ventilation, the fencing of machinery, the control of dangerous and poisonous trades, and the general safeguarding of the health, strength, and safety of workpeople. As part of this regulation, the state had also to deal with provision for compensating employees for accidents, sickness, unemployment, and old age.

For many years industrial regulation confined its attention to these aspects of industry—minimum age, maximum hours, and industrial conditions; but sooner or later another question had to be answered. (3) Could the state regulate the payment for labour? At first this was done by forbidding payment in truck—*i.e.*, in goods—and by limiting the extent to which employees could be fined. But since the discovery of sweating, the rise of political labour parties, and the turning of trade unions from industrial to political action, the wage contract has received great attention, until to-day in many countries statutory machinery exists for the fixing of minimum rates of payment.

The movement towards industrial legislation began in Great Britain, for there the results of the Industrial Revolution first became evident. Britain pioneered in the work, dealing with minimum age, maximum hours, and industrial conditions, but other countries led in making provisions in other directions. Germany, for instance, was the first country to deal with industrial insurance; Belgium set an example in dealing with unemployment; Australia pioneered in the field of wage legislation. Most other countries have been content to adopt the enactments of these lands; Japan, in 1917, copied some American factory laws, which in turn were largely based upon those of England. England has attempted to stamp out sweating by imitating the Australian wages board system, and took its idea of industrial insurance from Germany. Japan and America have still much leeway to make up—the former because she stuck to individualism longer than other countries; the latter because her industries are only about 30 years old, and were built up regardless of the condition of the wage-earner.

It is worthy of note that the general aim of this legislation often is to make universal the conditions which prevail under the best employers. Some firms provide better conditions for their workpeople than those whose sole aim is to get rich quickly, although such action may possibly handicap

them in selling their goods in a competitive market. Therefore, quite frequently the state has taken the best conditions prevailing as its model, and has compelled the laggards to come up to the standard laid down by the best employers. This is not always the case, however, for when a new principle is at stake it may be necessary to impose new conditions upon all employers. Finally, this policy of bringing backward employers up to the standard already prevailing in the best factories has been applied, to a limited extent, in international affairs, and in recent years international conventions on industrial legislation have done a little to produce uniform conditions in different countries.

The First Factory Act. The effects of the Industrial Revolution were first seen in the cotton industry of Lancashire, where the new textile machinery was speedily adopted. The new factories required large numbers of children, but the local supply was inadequate. The mill-owner therefore took pauper children off the hands of the poor-law authorities in every part of England, and some children were brought as much as 200 miles to work in the factories. Sir Robert Peel's father used to employ 1,000 of these pauper children, and the demand generally was great. Theoretically, these boys and girls were apprenticed to their new masters; in practice, they became their property, and when one mill-owner became insolvent his apprentices were put up for sale as part of his stock. The employment of these children opened the way for frightful abuses, and although some men treated their apprentices humanely many exploited them in a most heartless manner. The hours of labour were unlimited, and children six years old might be working 12 to 16 hours a day in busy seasons; often the worker received nothing in return but board and lodging, and usually both were bad. Heavy punishments were inflicted by some foremen for the most trivial offences, and the incessant work in filthy surroundings, relieved only by meals and sleep in equally filthy quarters, made the spread of fevers and other serious diseases inevitable.

This child slavery soon roused any humanitarian sympathy which might exist, and medical men pointed out the menace to public health. Manchester especially suffered from frequent pestilences, and eventually, under the pressure of hard facts, the state was compelled to intervene with an Act (1802) "For the preservation of the health and morals of apprentices employed in cotton factories." This first factory act is interesting, because, although it remained virtually inoperative, it contained most of the principles subsequently developed by the state. The provisions were as follow:—(1) *Sanitation.* All walls and ceilings must be whitewashed twice a year, and adequate ventilation and lighting provided. Further, each apprentice was to be given two suits of clothes, with a new one each year. (2) *Maximum hours.* Children were not to work more than 12 hours a day, and night work was gradually to be abolished. (3) *Education.* Instruction in the three R's must be given to all apprentices during the first four years of their employment, the time being taken out of their 12-hour day. (4) *Inspection.* Two visitors were to be appointed each year—one by the Anglican clergy—to inspect and report on the observance of the Act, and fines were to be imposed on offending employers.

This Act was passed almost unnoticed, and remained a dead-letter. It applied only to cotton factories and to apprentices. Other textile mills, therefore, went on as before, and cotton masters evaded the law by employing children without apprenticing them. The inspectors neglected their work,

and the state was so busy winning the war against France that for nearly 20 years the factory children were forgotten. Here and there employers gave better conditions, but only one man took up the work of factory reform with any zest. The man was Robert Owen.

Robert Owen, 1771–1858. Owen stands out as the father or sponsor of nearly all modern working-class movements; co-operation, trade unionism, the eight-hour day, friendly societies, factory laws, and socialism, all began with him or received much invaluable stimulation from him in their early days. The son of a Welsh saddler, Owen migrated to Manchester, where for a time he managed a spinning mill. In 1798 he visited David Dale's spinning factory at New Lanark, near Glasgow, married Dale's daughter, and became managing partner of the firm. Dale had ranked, in comparison with neighbouring employers, as a model master, and yet Owen found 500 children, from six years upward, working from 6 a.m. to 7 p.m., and therefore worn out by the age of 15; parents were idle and dissolute, living largely on the earnings of their children, and the whole population was sunk in poverty, misery, and crime. Owen at once made many reforms; he raised wages, reduced adult hours from 16 to 10, improved the housing accommodation, and provided good food at cost price. For the children he did more. The younger ones were kept out of the mill, and the older ones alternated work and school. Owen's schools laid stress on singing, dancing, gardening, and story-telling. Reading and writing were taught only when the child reached 10 years of age. In short, Owen built up a model industrial community, and demonstrated to the country that humane conditions and a substantial profit were not incompatible. His object-lesson converted many; New Lanark became one of the wonders of Scotland, and helped to win popular support for a new effort towards factory reform.

From 1815 to 1819 Owen fought for a good factory law; a bill was introduced and Parliament debated it at great length. Opposition was plentiful. such a law would interfere with "the great principle of political economy that labour ought to be free"; it was an interference with the liberty of parents; it would lead to a demand for higher adult wages; it would give foreign manufacturers a chance to flood the market with their sweated products. it was inhumanity to the children themselves, for it would compel them to spend the first nine years of their lives in enforced idleness. "All experience proves," said a pamphleteer (1818), "that in the lower orders the deterioration of morals increases with the quantity of unemployed time of which they have the command. Thus the bill actually encourages vice—it establishes idleness by act of parliament." There were many who used such arguments. Still, in 1819, the bill became law, after considerable mangling in each House. The Act, which had stirred such deep resentment, was really a very mild measure:—(1) No child under nine was to be employed in cotton factories. (2) From 9 to 16 years the maximum day was to be 12 hours. (3) Ceilings and walls were to be whitewashed twice a year. In an act of 1825, Saturday work was limited to nine hours, and in 1831 the age for "young persons" was raised from 16 to 18. There was no mention of women, and no system of inspection. Thus after nearly 30 years' struggle, children of 9 to 18 were limited to a 69-hour week in cotton factories only. Nothing could prove better the strength of the industrial interests in Parliament, and the prevailing devotion to *laissez-faire*.

Oastler and Shaftesbury. The centre of interest now shifted from Lancashire to Yorkshire, where the woollen industry was passing into the

factory, reproducing in many cases the worst conditions of labour known to the cotton mills. These conditions were first exposed by Richard Oastler, who for over 20 years had been fighting for the emancipation of negro slaves. In 1830 Oastler's attention was called to the factory conditions prevailing in Bradford, and at once he began a new agitation, this time for the emancipation of the "factory slaves." A long letter to *The Leeds Mercury*, headed "Yorkshire Slavery," painted in dark colours the lot of the local children. Oastler took as his text an extract from a speech in favour of negro emancipation, "It is the pride of Britain that a slave cannot exist on her soil," and showed that children were working in the West Riding under conditions alongside which the negroes of the West Indies were in Arcadia. This letter, followed by others, did what few newspaper letters do: it started a movement. From that time onward for twenty years the "Ten Hours' Movement" played a big part in industrial and political life. The cause of the factory children was championed in Parliament by Lord Shaftesbury, and supported by the Tory landlords, who were angry at the Whig manufacturers' attempt to abolish the Corn Laws. There was abundant opposition; critics declared that factory work for children was light, healthy, productive of thrift and good morals, and not nearly so black as it was painted; others maintained that with a 10-hour day industry would cease to be profitable, since the profit was made in the eleventh hour's work; the force of foreign competition and the hardness of the manufacturer's lot owing to taxation were held up for consideration, and an alternative to factory laws was offered in free trade; finally, individualist arguments were brought forth, and the laziness and vice of the working-classes discussed.

Against such "arguments" the reformers placed the damning evidence collected by two official enquiries made in 1832 and 1833. This evidence showed that children from five years upwards were working 11 to 15 hours a day, in cramped positions, amid unhealthy surroundings. Limbs became mis-shapen, and health gave way; children went to sleep alongside their machines, utterly exhausted, while accidents, due to fatigue, were the order of the day. Some foremen revelled in acts of cruelty, and a low moral tone pervaded the worst mills.

Such evidence made factory reform inevitable, and Shaftesbury brought in a Bill to establish the 10-hour day in all factories. The government compromised, and passed a milder Act in 1833. This Act applied to all textile factories. No child under nine years of age was to work; from 9 to 13 years a 48-hour week was fixed, and from 13 to 18 a 69-hour week. From 9 to 13 factory children must spend three hours a day in a school, and could not go to work unless they produced a certificate showing that this clause had been obeyed. Thus the beginning of compulsory education was found in factory legislation. Finally, the Act of 1833 provided machinery to ensure its enforcement. Age certificates were to be required of all children who asked for work, and four factory inspectors were appointed to visit the mills.

To pass an act is one thing, to enforce it another, and the new factory inspectors soon discovered that they had to fight the apathy of parents and the cunning of some employers. At first the law was evaded in every clause. Children seldom knew how old they were, or had a birth certificate, and forged or bogus certificates, given by veterinary surgeons or dentists, were often presented. The inspectors were defied openly, scouts were posted to watch for their coming, and on at least one occasion the inspector was

violently ejected from a factory. Should an inspector secure the conviction of an offending employer, the fine levied was generally so small as to encourage law-breaking. Finally, the school clause was useless at first because there were no schools. Dames' schools and mock schools sprang up everywhere, to which the children went in order to get a certificate. Anybody might be a schoolmaster so long as he or she was able to fill in a certificate of attendance. In many instances schools were established in the factories, with any odd person as teacher. Of instruction there was little, since the teachers were usually uneducated themselves. Only gradually were these evasions of the Act suppressed. The best employers supported the inspectors in their work; fines were made heavier, and the money thus received was given to deserving schools. Stress was placed by the inspectors on the fencing of machinery, the provision of more sanitary surroundings, and the general safeguarding of the health of the employees.

During the years following 1833 the ten hours agitation was kept very much alive. In 1844 it secured for children from 8 to 13 the half-time system, by which one half of the day was spent in school and the other half at work. In this Act women's work for the first time was regulated by the imposition of a 12-hour maximum day. Finally in 1850 the 10-hour day was secured for all women and young persons—*i.e.*, those under 18.

Extension of Industrial Legislation. The above laws applied only to textile factories. It now remained to perfect those laws and to extend their scope to other branches of employment. In 1842 women and children under ten were forbidden to work in mines. In later years all other kinds of factories and workshops were brought under control. The minimum age for children was gradually raised to fourteen, and provision made for the inspection of the smallest workshops. Since 1890 sweated industries and dangerous trades have received special attention, with a view to stamping out the long hours and insanitary conditions of the former and the engagement in dangerous or poisonous processes of the latter.

Recent Developments. The most recent developments in British industrial legislation have been the regulation of men's work and the fixing of minimum wages. In 1908 the legal eight-hour day was imposed on coal mining. In 1909 trade boards were established to fix minimum wages for certain sweated industries. These boards resembled the wages boards of Australia, but on each of them were a few experts who represented neither employer nor employee. Three years later the demand of the coal miners for a legal minimum wage was met by the establishment of wages boards in each of the coal-mining areas. In the same year (1912) the National Insurance Act came into operation, and provided for insurance against sickness and unemployment of employees between the ages of 16 and 70. The scheme was contributory and compulsory. To the sickness fund the workman paid 4d. a week, the employer 3d., the state 2d. Free medical attendance, medicines, appliances, and sanatorium treatment were provided, with weekly payments of 10/- for men and 7/6 for women in time of sickness. The sickness provision covered about 14,000,000 workers, but the unemployment clauses referred to a smaller section.

Regulation During the War. The War, with its acute problems of production, caused a wide extension of regulation of work and wages. At first the factory acts were virtually suspended at almost every point, but the results were so disastrous on both the work and the worker that a change of policy became necessary. Hence began the study of industrial fatigue and

the official encouragement of welfare work. (See Chapter XXV.) An act of 1916 gave the Home Office power to issue Orders requiring special provisions to be made for securing the workers' welfare; these included arrangements for preparing and eating meals, the supply of drinking water, protective clothing, ambulance and first-aid appliances, seats in workrooms, facilities for washing and changing clothes, and the appointment of welfare supervisors. This power was widely used by the Home Office. Then the Education Act of 1918 provided for compulsory part-time education up to 18 years, and thus further limited the employment of young persons.

Wages regulation became general. Under the Munitions Act strikes in most industries were illegal, and so machinery for the adjustment of wages had to be provided. The Corn Production Act (1917) established an Agricultural Wages Board to fix minimum wages for farm hands. After the Armistice wages were maintained by law at their November, 1918, level till September, 1920, and in 1919 the war-time wages machinery was replaced by an Industrial Court, to which bodies of workers might apply, if they wished, for revisions of wages rates. A national conference of employers and employees early in 1919 recommended the legal adoption of the 48-hour week, but the opposition of the farming and land-owning interests prevented this recommendation from passing into law.

Fear of widespread unemployment after the Armistice drove the government to establish a temporary scheme of unemployment payments. In early 1920 the unemployment insurance plan of 1912 was amended and extended to practically all who were under the state sickness scheme. Thus six years of strife left deep marks on British industrial policy.

German Industrial Legislation. As German industries developed, especially after 1871, many of the evils of unregulated industrialism began to appear. Long hours, low wages, insanitary factories, dangerous machinery, etc., all were to be found. These conditions soon attracted attention, and opinion ran into three moulds. The individualists preached *laissez-faire* with all the zeal of Ricardo or Bentham, though individualism never gained so strong a grip on Germany as on France and Britain. The social democrats advocated socialism and democracy, and as their movement gathered force it began to excite official anxiety and trouble the dreams of Bismarck.

Between the two extremes of individualism and social democracy arose the school of state socialism. It accepted the political state as it was, and the system of autocratic government prevailing in the land. But it sought to turn the activities of the state towards the amelioration of the lot of the working classes. It found good points in individualism and in socialism, and tried to fuse these virtues into a workable plan. The early state socialists were chiefly university professors, who used their talents to urge the extension of state activity and the introduction of ethical and moral considerations into economic life. As Professor Wagner wrote: "To regard labour power merely as a commodity, and wages as its price, is not merely un-Christian, but is inhuman in the worst sense of the word." The movement created a strong humanitarian sentiment; it captured Bismarck, and thus moulded German social legislation for many years.

Bismarck and State Socialism. Bismarck's influence on social policy was as far-reaching as his influence on foreign affairs. At first he was conservative, and shared the prejudices of the landlord class against working-class aspirations. But during the seventies he came to see the need for social legislation. Unlike most of his contemporaries, he refused to be frightened

by the word "socialism." In 1882 he recited, for the confusion of his critics, a long list of state actions which he regarded as socialistic. "But," he said, "if you believe that you can frighten anyone or call up spectres with the word 'socialism,' you take a standpoint which I abandoned long ago, and the abandonment of which is absolutely necessary for our entire Imperial legislation."

Bismarck was a state socialist on principle; but his belief in the need for state activity rested also on expediency. The growth of social democracy was to him a national menace, which must be stopped at all costs. In 1878 therefore he secured the passage of an act by which socialist newspapers and meetings were to be suppressed and the organization of the party broken up. Having thus forbidden the social democrats to woo the wage-earners, Bismarck set out to woo them himself. His attitude was well expressed in a speech in 1884. "Give the working-man the right to work as long as he is healthy; assure him care when he is sick; assure him maintenance when he is old. If the state would show a little more Christian solicitude for the working-man, then I believe the gentlemen of the social democratic programme will sound their bird-call in vain, and that the thronging to them will cease as soon as the working-men see that the government and the legislative bodies are earnestly concerned for their welfare."

Bismarck's Social Programme. Acting on this policy of "dishing" the socialists, Bismarck set to work during the eighties to elaborate a scheme of state ownership and control. He tried, in vain, to set up a state monopoly of tobacco and brandy, but in the extension of state ownership of railways, canals, and coal mines he was successful. When he faced the task of improving conditions of employment Bismarck hesitated between two lines of approach. The British plan, with its prohibitions, its restrictions forced on unwilling employers, and its corps of inspectors, did not appeal to him. He believed that the better method was to place on the employer's shoulders part of the burden of supporting his workers if they were sick, became invalids, or met with accidents. Then employers, in order to reduce the cost of such support, would of their own accord make their factories so safe and healthy that the risk of sickness and accidents would be reduced to the lowest possible point. Bismarck therefore preferred insurance to regulation, and gave little support to schemes of factory legislation. Not till 1891 did Germany seriously set out to regulate industrial conditions. The Industrial Code of that year was the basis upon which subsequently a scheme of control was built up, similar in many respects to that we have examined in England. At some points German policy is in advance of British practice, but in others, especially the regulation of wages, it is far behind the legislation passed in England since 1909.

Insurance. In her factory acts Germany largely imitated England, but in her insurance work she pioneered. Bismarck saw that one of the greatest evils of employment was its insecurity. What provision could the low-paid wage-earner make against possible sickness, accidents, invalidity, or old age? Very little, and yet these things were the workman's nightmare, the sword which hung constantly over his head. To remove the worst features of that insecurity was Bismarck's chief aim in initiating his schemes of national insurance, and he endeavoured to make provision for any kind of industrial misfortune that might befal the worker.

The principles adopted by Bismarck were:—(1) Compulsion; all workmen in certain trades must be compelled to insure themselves. (2) Contribu-

tion by all parties; the funds from which benefits were to be drawn must be provided by the workman, his employer, and, in the case of old-age pensions and invalidity benefits, the state. Compulsory thrift must be demanded of the workman, liability be recognized by the employer, and aid given by the state, since the state benefited by reason of the improved circumstances of its subjects. Let us glance at the details of the various schemes.

(1) *Sickness insurance*, initiated in 1883 and extended in later years. This applied to all manual workers in factories, mines, transport, and building industries, and to most other workers receiving under £100 a year. Contributions amounted to about 2 per cent. of the workman's wages, of which the employee paid two-thirds, the employer one-third. In case of sickness, from half to three-quarters of the man's wages were paid to him up to the end of 26 weeks (after which he went on to the accident fund described in the next paragraph), with medical care, medicine, and hospital treatment provided free.

(2) *Accident insurance*, initiated in 1884 and subsequently extended to nearly all trades. The contributions for this insurance were paid entirely by the employers, on the principle that employers should be liable for accidents to their workpeople. On the other hand, the victim of an accident counted for the first 13 weeks of his disablement as a "sick person," and drew benefits from the sickness fund. By the end of this time he had in most cases recovered; but should this not be so, he came on to the accidents fund, drawing free treatment, appliances, and two-thirds of his wages so long as he was incapacitated. If rendered totally helpless for life, he was to receive full wages, and if the accident proved to be fatal compensation included burial money, equivalent to three weeks' wages, and a pension to the dependents, ranging, according to the number of children, up to 60 per cent. of the deceased's wages. In practice all the serious accidents came on to the accidents fund, and often drew benefits for a long time; and as the fund was provided by the employers great care was taken by them in fencing machinery and guarding against all possible accidents.

(3) *Invalidity and old-age pensions*, initiated in 1889. This last scheme, when amended in 1899 and 1911, applied to all wage-earners over 16 years and all salary-earners who received less than £100 a year. Its object was to provide for (a) the person who through illness became an "invalid"—*i.e.*, unable to earn one-third of the usual wage; (b) the aged—*i.e.*, those over 70. To benefit as an invalid, a person must have paid contributions for five years; to benefit as an old-age pensioner payments must be kept up for 30 years. Wage-earners were divided up into five classes, according to their earnings, and contributions and benefits were in five grades. The former ranged from 1½d. to 4d. a week, of which employer and employee each paid half. To this sum the state added something, and thus a large fund was created from which invalids and old people drew benefits proportionate to the contributions they had been making. In practice most people began to receive benefits before they reached 70; in 1910 there were only 100,000 old-age pensioners, but the number of invalids was nearly 900,000. Between 1891 and 1911 about £70,000,000 was paid out.

Germany never regretted her experiments, but constantly widened their scope to include maternity benefits, pensions for widows, insurance for home workers, agricultural labourers, etc. None of the schemes yielded any profit to the state, and in recent years a strong demand has arisen that the state take up the more profitable parts of insurance—fire, life, burglary, etc.

Germany's insurance work was a social lesson to the world, and most European countries took it to heart. Austria, France, Belgium, Denmark, Italy, Norway, Sweden, and finally England followed more or less faithfully in Bismarek's footsteps. England, Denmark, and Australia departed from the German scheme in providing non-contributory old-age pensions; England used a Workmen's Compensation Act in place of an accident insurance scheme, and established unemployment insurance, a thing the German government left severely alone.

The credit for introducing unemployment insurance belongs to a Belgian town, Ghent. In that city the trade unions were endeavouring to raise a fund among their members to provide for unemployment, but the amount which each man could afford was so small that little good could be done. In 1900, therefore, the municipality decided to subsidize any efforts made by the workmen, either individually or through trade unions. The amount of municipal relief was not to exceed that derived from the workmen's own insurance; but the knowledge that this supplementary relief was available greatly stimulated the efforts of wage-earners to insure against spells of unemployment. The scheme has been most satisfactory, has been copied by all the other Belgian industrial centres, and has received financial support from the central Government.

Factory Laws in Other Countries. For a long time Belgian industries were almost devoid of any regulation, and the worst features of factory life prevailed. In 1886, after a revolutionary upheaval in the industrial centres, a beginning was made. Progress was very slow, and an enquiry made in 1895 showed that 35 per cent. of the industrial workers were employed seven days per week. Not till 1905 was Sunday work forbidden, and women were employed in night work until 1911. The labour laws of France began in 1841, grew steadily, and were codified in 1908 and subsequent years. They present no features of special interest.

Turning from Europe to the United States, we find very little attention to industrial conditions until the latter part of last century. True, in some states, legislation existed from about 1850; an Act of 1851 forbade any child under 10 years to work in New Jersey factories, and from 10 to 21 years a 60-hour maximum week was prescribed. But much of this legislation was disregarded by the employers and unknown to the employees. In the early part of the present century the prevailing individualist creed gave place to a growing sense of social needs. America began to realize that in her keenness for producing wealth she had omitted to consider the conditions under which that wealth was being created. Strong emotional agitations were organized against sweating, consumers' leagues were formed to boycott all disreputable employers or salesmen, and the trade unionists began to turn their eyes in the direction of industrial legislation. Out of this many-sided agitation reform emerged in most states, and the ordinary European legislation was copied, though only after encountering the most bitter opposition.

Having come late into the field, America in some respects has gone far beyond other countries in her enactments. In some of the western states wages boards were established, and in others a distinction was drawn between male and female workers, males being allowed to begin work at 14, while females are kept out of the factory until they reach 15 years. But the most interesting American innovation was that of "Mothers' Pensions," the principle of which has been admitted in over 30 states. America, like other countries, was faced with the problem of the widow who is compelled to go

to work, either neglecting her children or leaving them in the charge of some other person. It was felt that the state would make a good investment if it gave the mother a maintenance allowance for each child up to the age of 14 or 15. This allowance as a rule amounts to about 10/- per child per week. As a result of this grant the mother is able to stop at home and keep her home tidy and comfortable, her children can remain at school until they reach the proper age, and the state finds it is much cheaper to let these children live at home instead of in a Home. Grants to mothers are cheaper than grants to institutions, and home life is by this scheme enabled to survive the misfortunes which spring from the death of the father.

Of other countries little can be said. The last 30 years have seen two big Asiatic countries—India and Japan—pass under modern industrial conditions. India began her factory legislation in 1881, but did not establish a comprehensive scheme of regulation until 1910. Japan made no provision for her workpeople until 1910, but since that date some important factory acts have been passed. Child labour in heavy work is prohibited, the employment of children under 12 years of age is forbidden; male workers under 15 years and females of any age are not allowed to work for more than 12 hours daily, or do night work, and must have two days holiday each month. Provisions for workmen's compensation are prescribed, but apart from this male adult labour is virtually unregulated.

Industrial Fatigue. The stimulus to factory reform in the early days was largely humanitarian, and many men advocated industrial legislation although they believed that by so doing they were restricting output and injuring the employer. The only economic benefit of regulation seemed to be that bad employers would have to observe the same rules as good ones, and hence the reputable employer would not be penalized in his costs of production because he gave better conditions and shorter hours. During recent years a quite different argument has become possible, and to-day shorter hours, sanitary and safe conditions, etc., are advocated not merely because they are good for the worker, but because they are good for the employer and for efficient production. The study of industrial fatigue has made great strides since 1910, and official investigations in Great Britain and America during the War reached conclusions which have influenced the whole outlook on working conditions.

It is now realized that output depends for its volume and quality on the reduction or elimination of fatigue. Several questions at once arise. (1) What is the best length of working day? The evidence all shows that in the long run the 48-hour week is more productive than one of 55 or 60 hours. but there is no adequate information yet to show the effect of reduction below 48 hours. Long hours mean smaller output and more accidents. Work before breakfast and persistent overtime are uneconomical, and some employers have found that work on Saturday morning is not worth the price paid for it. (2) What is the best length of working spell? The factory laws often forbid women and young persons to work more than 4½ hours without a rest, but research has shown that this period is too long. Short rest pauses at the end of two hours' work, or even of one hour's work if the task is strenuous, help to avoid fatigue, and the output lost during the rest period is more than made up by the increased rate of production which follows the pause. (3) What conditions surrounding the work and the worker are injurious and uneconomical? This question opens up the whole problem of industrial hygiene, including matters of lighting, tempera-

ture, ventilation, the removal of dust and fumes, the provision of seats, rest rooms, suitable working clothes, facilities for obtaining proper meals at the midday interval, etc. It involves the study of the effect of different kinds of work on different sorts of workers, especially on women.

The study of industrial fatigue is producing two important results. It makes available a mass of information on which the state can base further legislation. It gives to employers certain guiding principles on which they can formulate a policy of employment far in advance of the minimum conditions prescribed by law. The wage-earner is thus enabled to do his work in an environment and in a manner which involve far less wear and tear to his physique than was possible in the bad old days of the early 19th century.

International Uniformity in Labour Legislation. While factory acts tried to establish standard conditions among competing firms in any one country, it was often felt that some degree of international uniformity was desirable. Countries with advanced legislation feared the effects of competition from lands where labour laws were backward or non-existent. In 1890 an international convention at Berlin approved a few simple provisions, such as the non-employment of children in mines; a similar convention in 1906 recommended that women be forbidden to do night work in factories and that the use of phosphorus for making matches be forbidden. Beyond this little was done until 1919. The peace treaty of that year contained a section on labour conditions, and provided for the calling of an international conference in Washington to discuss the problem of uniform labour legislation. A special branch of the League of Nations organization was also established to deal with the matter. The Washington Conference (October, 1919) was attended by delegates, representing governments, capital, and labour, from 41 states. It discussed working hours, unemployment, and the employment of women and children; it ordered a special conference to be held at Genoa in 1920 to deal with the hours and conditions of seamen. Many difficult points arose; for instance, could Japan be asked to bring her labour laws at one bound up to the standard prevailing in Europe and America? The conference by a small majority over-ruled the labour representatives and decided that Japan could not be expected to take such a drastic step. In appearance the conferences at Genoa and Washington seemed to achieve little; but the mere fact that such meetings were held was a big advance on all previous attempts to reach international standards; the whole future of the labour provisions of the treaty is wrapped up in the success or failure of the League of Nations.

Books Recommended. Hutchins, B. L., and Harrison, A., "History of Factory Legislation"; Ogg, F. A., "Economic Development of Modern Europe," chaps. 17-18, 24-5; Warner, T., "Landmarks in English Industrial History," chaps. 17-18; Lloyd Jones, "Life of Robert Owen"; Shaftesbury, Lord, "Speeches"; Dawson, W. H., "Evolution of Modern Germany" and "Bismarck and State Socialism"; Goldmark, J., "Fatigue and Efficiency"; Myers, C., "Mind and Work"; Lee, F. S., "The Human Machine"; Hetherington, H. J., "International Labour Legislation." See also books recommended in Chapter XXV.

CHAPTER XIII.

TRADE UNIONISM—ITS BASIS, FUNCTIONS, AND STRUCTURE.

Before tracing the history of trade unionism in various countries, it may be well to view the movement as a whole, and see the foundations on which it rests, the aims it seeks to achieve, and the types of organization and lines of action it has adopted. Trade unions first made their appearance about 1700, but their progress was small until the Industrial Revolution had worked out its first results. During the 19th century growth was chequered until 1850, but after that date the membership rose rapidly and the movement spread over Europe, North America, and Australasia. By 1920 there were at least 26,000,000 men and women enrolled in the trade unions of the world, distributed roughly as follows: United Kingdom, 7,000,000; Germany, 7,000,000; other European countries, 6,000,000; British dominions 1,000,000; America, 5,000,000. In this vast army most have enlisted in the hope of gaining some improvement of the conditions under which they work; a few because they regard unionism as an instrument by which economic society can be reconstituted: but all because they desire to obtain by united action benefits which they see little hope of securing by individual effort.

Conditions Creating Unionism. Unionism is the outcome of the stress of many factors. Of these, the chief are as follows:

(1) The creation of a permanent wage-earning class. Before the Industrial Revolution the chasm between capital and labour was so narrow in many industries that it could easily be jumped across. Only a small sum of capital was required in order to set up as independent master-craftsman. Hence the wage-earner in many trades could look forward to the time when his energy and thrift would enable him to become an independent worker, and perhaps even an employer. In new countries somewhat similar conditions prevailed until late in the 19th century. Workmen could fairly easily set up on their own account, or leave industry and take up cheap or free land. Hence wage-earning was not regarded as a permanent station in life, and effort was therefore directed towards independence rather than to improving one's lot as a hireling.

The situation was changed by the Industrial Revolution and the developments of the 19th century. As machinery and power generators grew large, more complex, and more costly, the hope of eventual freedom became more and more remote. In some industries that freedom may still be secured by dint of hard work and grim abstinence; there are occupations, such as repair work, job printing, and distributing, in which machinery is less important than skill, artistic taste, and business "push"; but in the big staple industries—mining, iron and steel, and transport—the self-made man is becoming rare. And while the wage-earner was being rendered in effect capital-less, he was also becoming landless. In England the enclosure movement and the custom of entail made land hard of access to the poor, and in new countries most of the good cheap fertile land had been disposed of long before the end of the 19th century. Hence there was no escape on to the land except for the men with capital. Here then were

the first essential conditions of unionism—a widening distinction between the employing and the employed classes, with the latter debarred by lack of adequate capital from industrial or agricultural independence. For most men the outlook was now "once a wage-earner always a wage-earner."

(2) The breakdown of old systems of control and the creation of new relationships. The old economic order was regulated at every point by custom or the state. Apprenticeship, hours of labour, and wages were nominally at least controlled by legislation; this control, so long as it was not rigid or oppressive, was generally accepted as natural, and workers therefore made little attempt by united action to alter the established state of affairs. By 1800, however, state control had been largely abandoned, and soon all attempts on the part of the state to maintain apprenticeship or fix wages and hours were discontinued. This left the whole gamut of industrial relationships to be settled between the employer and employee, and a reign of "free contract" began. Free contract worked badly for the employee, for the Industrial Revolution subjected his skilled manual labour to the competition of machines, women, and children. At times he appealed to the state for protection against the invasion of his preserve, but in vain, and he was left to fight his own battle and make the best bargain he could with his employer. Such bargain was one in which, acting in isolation, he was liable to be beaten. Firstly, because of the competition of the factory; secondly, because there were generally more labourers than jobs; and, thirdly, because, having no reserve on which he could draw, he was compelled to sell his labour at once in order to live.

(3) The growth of a craft- or class-consciousness. Before the Industrial Revolution employer and employee frequently worked side by side and knew each other intimately. Probably, therefore, this bred a sense of community of interest and of partnership in work. With the growth of capitalism and of the large unit the close personal contact gradually disappeared. It was difficult for an employer to know his hundreds of "hands." To the employees, especially of a joint stock company, the manager, or even the foreman, was the firm. But whilst the two sections drifted apart, the employees, thanks to their congregation in large numbers in factory or workshop, began to feel a sense of community of interest. They began to realize they were all in the same boat, and that if the boat was not actually leaky it might at least be made more comfortable. There dawned the idea that as wage-earners their common conditions were either in danger of being made worse, or were capable of being considerably improved. Until this feeling had become common there could be no trade unionism. It is possible to have a permanent wage-earning class, to have competition and exploitation degrading the standard of life, and yet to find unionism non-existent. Organization comes only when those who are competing and are being exploited realize their condition, and see that by united action they can protect themselves against attack, and even take the offensive into their own hands.

Aims. At first unions sprang into being to resist some specific attack on the position of their members—*e.g.*, the employment of unapprenticed workers, the introduction of some machine, the reduction of wages, etc. To-day we can group the aims of labour organization, as developed during a century's experience, under two chief headings: (1) business aims, (2) revolutionary aims.

(1) *Business unionism*—the term is Professor Hoxie's—accepts the capitalist system as perhaps inevitable: it admits there must be employers and employees: it makes no attempt to oust the employer. Its sole aim is to protect and improve the conditions under which its members are employed, especially by securing higher wages, shorter hours, and improved working conditions. It thinks of the labourer as a man with a commodity to sell, and endeavours to put him on an equal footing with the buyer, by grouping all the sellers together in demanding the same price—a standard rate of wage, standard hours, standard conditions. It works through collective bargaining, it enters into agreements, with the strike as the last weapon in its armoury. It bothers little with outside social and political movements, except when they bear directly on its own aims. To its purely union work it may add provisions for friendly society benefits, and its expenditure on these frequently exceeds that for purely industrial matters. It is usually strongly organized and centralized, and its leaders are expert administrators, industrial diplomats. It finds its strength chiefly among the skilled craftsmen, and bothers little about the well-being of the unskilled and semi-skilled masses. It jealously guards the entrance gates to employment, and keeps out those who have not been properly trained for efficient work. Humdrum, cautious, with no big vision of a better social order, it seeks results "here and now." The great majority of unionists are content with this conception of the function of their organizations. A little more money, a little more leisure and comfort, a little more freedom, a little more security against the fear of unemployment and the poverty of old age—these are their aspirations.

(2) Opposed to the business idea is that of *revolutionary unionism*, which asserts that capitalism is the enemy; that the only thing to do is not to make it more bearable, but to overthrow it; that collective bargaining is bad, and keeping agreements worse; that friendly society provisions distract attention from the real task confronting the wage-earners; that, therefore, unionism should concentrate on one object alone—the destruction of capitalism and the establishment of the "co-operative commonwealth." On the precise character of this new commonwealth there is difference of opinion: state socialism, syndicalism, and guild socialism all have their supporters. How the commonwealth is to be realized is a second debatable point; some say by means of sabotage, a revolution, or a general strike; others favour the casting of a solid vote by all unionists at the ballot-box. But all advocates of revolutionary unionism agree that unionism must and can put its full weight into the fight to dethrone capitalism.

Of the thousands of unions in the world to-day only a mere handful are essentially of the revolutionary type, and even these find much of their time occupied in purely business affairs. Business unionism holds the field, but in its ranks are to be found a growing active minority of men of revolutionary views. In Germany the chief unions work hand in hand with the socialist groups. In the United Kingdom the last ten years have seen powerful business unions in the coal mines and on the railways decide strongly in favour of the nationalization of those industries, and in the United States the American Federation of Labour, a federation of business unions, voted in 1920 in favour of the nationalization of the American railroads. Thus the old-fashioned aim of improvements within the system is being supplemented: business affairs may still remain the immediate task

of labour organizations, but an ultimate ideal of radical social reconstruction has been added.

Structure. Attempts to find the most effective basis of organization occupy a large part of trade union history, and are responsible for some of its most complex problems. In the early stages, two distinct types of structure were adopted—the *craft* union and the *trades* union. The craft union "consists of persons following a particular calling or occupation, possessing in common a certain skill, and aiming in common at a certain set of conditions of employment." (Cole.) Thus plumbers, stonemasons, cigar-makers, weavers, etc., may each have their own separate organizations. "One craft one union." In practice this means a multitude of societies, some of which may overlap at points, thus causing constant inter-union friction. To avoid this danger, kindred craft unions amalgamated. For instance, the Amalgamated Society of Engineers, Machinists, Millwrights, Smiths, and Pattern Makers was at its foundation in 1851 a fusion of unions representing separate crafts, and in 1918 it embraced those engaged in over a dozen allied occupations.

The craft union is one extreme of organization; the trades union is the other, in that it endeavours to bring into one huge organization all wage-earners, regardless of trade, craft, industry, degree of skill, sex, colour, or other distinction. Such a union appeals to the class-consciousness of all employees, and usually offers some idealistic or revolutionary programme. The all-embracing British unions of the thirties, the Knights of Labour and the I.W.W. are the outstanding instances of attempts to form trades unions, but their influence on the trade union movement has been small.

Between the two extremes has grown up in the last thirty years the idea of *industrial* unionism, which advocates the gathering into one union of "all those workers who co-operate in producing a common product or type of product or in rendering a common service, irrespective of the degree of skill which they happen to possess." (Cole.) Let there be one union for the railways, one for mining, one for building, one for printing, and so on, and let all who work in the industry join hands, regardless of whether they are skilled or not. The three rival bases for organization are thus: (1) the common skill of a trained craft, (2) the common status of all wage-earners, (3) the common interest of all who work together in the same industry. The second is insignificant: the first and third hold the field, and the third has grown enormously in favour since 1900. It is seen at its best in the big German unions; some Australian unions have adopted the industrial basis—*e.g.*, in the printing and meat industries, and the National Union of Railwaymen in Great Britain has for years been endeavouring to get all railway employees into one organization.

The geographical area covered by unions ranges from the locality to the world. Small local autonomous unions still exist, especially in the United States. But many have either federated or amalgamated into district, national, or international organizations. Some American unions have local branches in Canada or Mexico, and the Amalgamated Society of Engineers in 1918 had 300 branches in the British Dominions and the United States. Steadily the big national union or federation is encroaching on the local independent organizations, and although in 1918 there were over a thousand unions in the United Kingdom, three-quarters of the members were enrolled in twenty-two of them.

Methods. The first effort of every union is to establish collective bargaining, by which the employer will discuss and settle conditions of employment, not with his men individually, or even as a separate group, but through the accredited representative of the union or unions to which his men belong. This involves the recognition of the union by the employer, and the right of an outside official to come in and act on behalf of the employees. Recognition was in many cases granted unwillingly under strong pressure, and some employers, especially in America, refuse even yet to recognize any union whose officials are not their employees. When recognition has been granted, the way is open for the establishment of machinery by which disputes can be submitted to conciliation or arbitration. In most unionized industries labour organizations have their counterpart in employers' associations, and the representatives of the two sides meet in conference. Except in Australia, neither side has relinquished its right to declare war—the strike and the lockout—but the existence of conciliation machinery ensures that in most cases a stoppage of work only comes when prolonged discussion has resulted in a deadlock.

In most countries trade unionists have since 1890 come to believe that the above purely industrial methods might with advantage be supplemented by seeking political power. Hence, whilst continuing with the ordinary work of collective bargaining, unions have endeavoured to secure a big voice in political affairs, and in the framing of legislation which would give the wage-earner better conditions of employment. This has meant the creation of a Labour Party, the expenditure of money on political propaganda, and the formulation of a Labour programme. In Australia this development has reached its highest point, and Australian politics during the last thirty years have been largely influenced by the decision of unionism after 1890 to fight its battles more and more in the political arena.

The success of trade unionism is determined largely by two things—the proportion of wage-earners it represents, and the ability of its leaders. To increase its membership it pursues propaganda campaigns, and endeavours to gain from employers a promise to give preference to unionists, or even to employ unionists only—the "closed shop," as the Americans call it. Leadership counts for much, and successful collective bargaining needs permanent officials who are expert in handling a case, diplomatic in negotiation, and strong in time of strife.

Books Recommended.—Webb, S. & B., "Industrial Democracy," and "History of Trade Unionism"; Cole, G. D. H., "World of Labour," and "Introduction to Trade Unionism"; Hoxie, R. T., "Trade Unionism in the United States"; Lloyd, C. M., "Trade Unionism."

CHAPTER XIV.

THE HISTORY OF TRADE UNIONISM IN GREAT BRITAIN.

Unionism fought most of its early battles on British soil. There it first encountered the opposition of employers, the state, and the economists. There it met its first difficulties in organization, and evolved a structure and methods which were adopted in most parts of the world.

Beginnings. Trade unions did not appear in force until about 1790, but all through the 18th century they could be found in a few occupations where capitalist conditions had grown up. For instance, the journeymen in the London felt-making industry in 1696 had a union, which for two years fought the employers to prevent a reduction of piece rates. In 1720 the London master tailors complained to Parliament that their workmen "to the number of 7,000 and upwards have lately entered into a combination to raise their wages and leave off working an hour sooner than they used to do." Further, when there was a "hurry of business against the King's Birthday or for making of mourning or wedding garments" the men were insisting on 3/- to 4/- a day, "and at such times some will not work at all, which is a great disappointment to gentlemen and an imposition to the masters, and if suffered to go on must increase the charge of making clothes considerably." Parliament thereupon declared tailors' unions in London unlawful associations, and placed the regulation of hours and wages for the industry in the hands of the justices of the peace.

Similar organizations existed in other parts of the country. The woollen workers of Devon and Somerset were highly organized; in 1729 the weavers of Bristol attacked the house of an obnoxious employer, and had to be repulsed by arms. Some unions simply endeavoured to compel the local justices to observe the Acts of 1563 and 1603, which ordered annual assessments of wages. Others, finding the justices unwilling, took matters into their own hands. The wool-combers' union, for instance, had a comprehensive policy. It began as a friendly society, levying 2d. or 3d. per week on its members for the benefit of sick and unemployed. Then, having gained considerable strength, it began to enforce minimum wages and its members declined to work for any employer who refused to pay these rates or employed non-unionists. The strike was a popular weapon. In 1742 several Leeds cloth-workers were prosecuted on the count that they, being "not content to work and labour at the usual rates, . . . but falsely and fraudulently conspiring and combining unjustly and oppressively to increase and augment the wages of themselves and others . . . did with force and arms unlawfully, riotously, and tumultuously assemble, . . . and did with like force and arms in a warlike manner, . . . incite, move, and stir up other journeymen to conspire with them not to make or do their work . . . at any lower or less rate than 12d. for each day's work, to the great terror of his Majesty's liege subjects, and to the evil example of all others."

State Opposition. The government set its face against all such activities. This was partly due to the influence of vested interests, but it was also based on a definite principle. The regulation of hours and wages was the business of the state; therefore trade unions were encroaching on the province of the government. Various laws were passed against the early unions. In 1721 the tailors' union was placed under a ban; in 1726 a very elaborate law forbade "all contracts, covenants, or agreements, clubs, and societies of woollen workers" for regulating their wages or for lessening their usual hours of work. Persons joining such unions were liable to three months' imprisonment, and anyone who threatened, abused, or assaulted an employer, or tried to destroy his property for refusing compliance with union claims, was to be transported for seven years to America. In the same year the Privy Council advised the weavers of Wiltshire and Somerset not to attempt to help themselves by unlawful combinations, but always "to lay their grievances in a regular way before His Majesty, who would be always willing to grant them relief suitable to the justice of their case."

This promise was kept for a time, but when the new machines began to enter industry, and workmen appealed to the government to check the growth of the factory system by enforcing the old laws regulating apprenticeship, wages, and the amassing of machinery, Parliament refused, and soon repealed the acts referred to. This *laissez-faire* attitude drove the wage-earners to self-defence, and during the last ten years of the 18th century many unions sprang up, in order to safeguard workers against the effects of the new machines, and, if possible, to forbid their introduction.

Such unlawful activity must be checked, and this the government endeavoured to do by the Combination Laws of 1799 and 1800. These acts contained no new principle; they simply made universal the many laws already passed forbidding unionism in certain trades. Henceforth any combination of workmen to raise wages, reduce hours, organize a strike, restrain an employer from employing whomsoever he should think fit, or restrain any man from taking any job he wished, was illegal. To give a semblance of justice to the acts, employers were forbidden to combine to reduce wages or increase hours, and any dispute which arose about wages, etc., was to be submitted to arbitration.

For a quarter of a century unionism lay under this ban. The part forbidding employers' unions was not enforced, but workmen were frequently brought into court. In 1810 eight Sheffield workers were imprisoned for three months for having met "for the purpose of unlawfully supporting . . . and carrying on a certain combination to obtain an advance of wages." Two years later 40,000 Glasgow weavers came out on strike, remained out for three weeks, and were then driven back by the arrest and imprisonment of the strike committee. But unionism was too necessary a weapon to be broken by any legislative effort, and it flourished in spite of parliament. In Yorkshire a union of cloth-finishers was so strong that employers dare not defy it. It forbade the employment of non-unionists ("snakes" was the name for them), fixed a maximum age for apprentices, and influenced wages and labour conditions by threatened or actual strikes. Elsewhere similar organizations existed; sometimes they were cloaked as friendly societies, at other times they worked in secret. In fact, the chief result of the Combination Laws was to drive unionism underground, and make it a conspiracy. As a Select Committee in 1824 admitted, the laws had not merely been ineffective in preventing unions either of employers or

employees, but had had a tendency to produce mutual irritation and distrust, to give a violent character to unions, and render them highly dangerous to the peace of the community.

The Acts Repealed. This Committee of 1824 was largely the result of skilful engineering by Francis Place, a London ex-tailor, who for ten years had endeavoured to demonstrate the futility of the anti-union laws. Place worked in alliance with Hume and other politicians, and managed in 1824 to get a committee appointed to inquire into the laws prohibiting the export of machinery, the emigration of artisans, and the formation of unions. Parliament thought the last item the least important, but Hume and Place soon made it the chief, and by "packing" the committee with friendly members, by marshalling the men's case with consummate skill, and by keeping out all damaging evidence, Place managed to secure a report highly favourable to unionism. The result of this wire-pulling was the repeal of the Combination Laws in 1824, and the removal of the legal ban on trade societies; but violence, threats, and intimidation of employers or "loyal" employees were still punishable by imprisonment.

This act was the signal for a vigorous outburst of union organization, followed by numerous strikes or rumours of strikes. The employing class sprang to arms, and a second select committee was appointed to reconsider the whole position. This time Place and Hume were not masters of the situation, and the report was much less favourable. A new act (1825) was passed, which whilst admitting that organizations of labour were not illegal, expressly forbade all use of violence, threats, intimidation, or force. The stress of the act was on the words "molest," "obstruct," "intimidation," "violence," and such words could be translated in many ways by a court of law. Still, unions were not *illegal*. The question now was—To what extent were they and their actions *legal?* This question was not answered for fifty years.

Experiments and Failures. The twenty years following 1825 saw the rise and fall of many ambitious unions. Some were purely local or craft bodies, but the chief organizations were general and national in scope, and often revolutionary in aim. Owen, whose influence was then very strong, looked forward to the establishment of one union for each industry, these unions then being federated in a national organization. The ultimate aim was to be practically syndicalism; a general strike was to drive out the employer and transfer the ownership and management of industry into the hands of the workers. Pending this final step, the general strike was to be used to win any desired concessions, as for instance the eight-hour day. Under the influence of these ideas several big unions were formed. One of the first of these was the National Association for the Protection of Labour (1830-2), a federation of about 150 sectional unions. Then came Owen's great scheme, the Grand National Consolidated Trades Union (1834), which within a few months had a membership of half a million. All sorts and conditions of wage-earners—male and female, skilled and unskilled, agricultural and industrial—were enrolled. As in most unions at this time, its local lodge meetings were carried on with elaborate rites and ceremonies. The meeting rooms were draped in black, with battle axes, swords, and skeletons as furniture. Masks and surplices were sometimes worn, new members came in blindfolded, oaths of secrecy were administered, prayers and responses recited. Sectional strikes soon began; in March, 1834, a gas-workers' "turnout" plunged Westminster into darkness, and in the following

month a general strike was declared to secure an eight-hour day. Then the whole movement collapsed like a house of cards. A similar fate attended other efforts, and anyone looking back in 1840 at the experience of the preceding decade might with justification have said that unionism was doomed to failure.

Causes of Early Failure. The general non-success of unionism up to 1850 can be ascribed to three chief causes. (1) The defective organization of the unions, the lack of good leaders, and the difficulty of getting uniform tactics or solidarity in disputes. The big unions were too unwieldy and their leaders lacked the necessary ability or character. When a strike occurred there were no adequate funds, and when one or two kinds of workers had obtained concessions they resumed work, leaving the rest to fight on alone. (2) The opposition of the economists, the politicians, and the law. Economic thought was under the sway of the wages fund theory, which declared that there was only a fixed fund available for wages. Therefore no amount of union agitation could increase that fund or get higher wages for one set of workers without reducing the amount available for others. One economist, Senior of Oxford, went further, and recommended to the government, in a confidential report, that all attempts to get men into unions and all peaceful picketing should be punished by imprisonment; if this drastic remedy failed, then let the funds of the unions "deposited in savings banks or otherwise" be confiscated. Without going so far, the government certainly encouraged the persecution of unions wherever possible. The act of 1825 was constructed so as to make almost any activity other than meetings illegal, and in at least one instance—the Dorchester Labourers' case—an old forgotten law was raked up for want of a better weapon. In the village of Tolpuddle, in Dorsetshire, wages had been forced down from 10/- to 7/- per week. Half a dozen labourers therefore determined to form a branch of the Grand National, and purchased the usual figure of "Death painted six feet high," before which the oath of initiation was to be taken. The farmers at once took action, the labourers were arrested, and under an act, passed at the time of the sailors' mutiny in 1797 prohibiting the administering of secret oaths, were packed off, after a very scanty trial, to "Botany Bay" for seven years (March, 1834). This outrage was approved by the government, but popular opinion became so agitated that in 1836 the remainder of the sentence was remitted, and in 1838 the men were allowed to return. The case led to the stoppage of such flagrant prosecutions on the one hand, and to the abandonment by the unions of their "masonic mummery."

(3) The most persistent opposition came from the employers, many of whom refused to employ unionists. Employees and those who sought work were called upon to sign a declaration, popularly termed "The Document," stating that they were not, and would not become, members of any trade society. Recognition was refused, and employers insisted on making wages contracts with their workmen individually.

Confronted by such strong opposition, the big trades unions fell one by one, and the revolutionary ideas of Owen were discredited. Here and there, however, craft unions managed to survive, narrow in scope, cautious in policy—business unions essentially. It was from them that the next move came. The new phase, the new spirit, the new model were embodied in the first really successful union, the Amalgamated Society of Engineers.

The A.S.E. The A.S.E. is important not merely because it was the first successful organization, but also because its form and methods became a model from which most subsequent unions took their shape and character. It was the result of a fusion of local or sectional unions, and took in societies of engineers, machinists, millwrights, smiths, and pattern makers already existing in different parts of the kingdom; it was a kindred craft union of skilled men. It started in 1851 with 10,500 members, and during the next few years, under cautious leaders, evolved a satisfactory shape and methods, of which the following were the chief points. (1) Membership was limited to those who were skilled and properly trained engineers. The union was for a few allied crafts only, and in view of the failures of the earlier omnibus unions, it seemed a wise policy to adopt this plan of "minding one's own business." (2) A proper constitution was shaped, which kept control in the hands of the central executive. Branches were to be subject in all important matters, especially finance, to the decisions of headquarters. This provision prevented any branch from beginning a strike without the consent of the central executive. Such consent was given only when negotiations had failed, and when some big principle was at stake. (3) A set of permanent officials was provided, who became specialists in their business, collecting information, keeping proper records, and endeavouring to settle disputes peacefully whenever possible. The secretary spent most of his time striving to secure benefits by conciliation rather than by industrial warfare. (4) The union became a friendly society as well as a trade organization. This was done partly to secure registration as a friendly society, and also to bind members permanently to their union. If the A.S.E. had offered only industrial benefits many of its members would have deserted it whenever concessions had been gained from employers; there would be no more concessions for many years, so why pay subscriptions to the union when nothing could be expected in return for a long time? But if membership meant provision against sickness, unemployment, and old age, etc., men would not lightly desert the society. (5) The A.S.E. insisted on full publicity. There must be no secret society methods, but by newspapers and periodical journals the public was to be told what was being done. Let people know that the union was a peaceful concern, that it had no revolutionary aims to further, that its finances were sound; then the middle-class distrust of unionism would quickly disappear.

Such was the "New Model." It worked well in the A.S.E., the membership of which increased steadily from 10,500 in 1857 to 139,000 in 1912, and to nearly 350,000 in 1920. Many other trades organized on similar lines, with friendly society and dispute benefits allied. Of the two branches the former absorbed the greater part of the funds. Between 1851 and 1890 the fourteen largest unions paid out in benefits of all sorts nearly £8,000,000. Of this, only £463,000 was strike pay. The other items were:

Funeral	£654,000
Sick-Pay	1,840,000
Superannuation	895,000
Accidents	195,000
Unemployment	3,604,000
Loss of Tools	25,000
Benevolent Grants	118,000

Thus strike pay absorbed only 6 per cent. of the benefits paid during that period. The rest went in friendly society work or in tiding over periods of unemployment.

Legal Worries and Triumphs. Unionism now seemed to be on the right track; its leaders were sound and cautious, its constitution worked smoothly. Its tactics during the fifties and sixties were on the whole so peaceful that public opinion began to discard some of its distrust and suspicion. But in 1866 a series of outrages occurred in Sheffield and Manchester; in the former city cutlery makers refused to work alongside non-unionists, and the policy of "rattening"—*i.e.*, interfering with a worker's tools—culminated in the explosion of a can of gunpowder in the house of a man who refused to join a strike. This outrage, coming on top of many smaller ones, and following a period of unrest, caused all the old antagonism to flare up once more, and a searching inquiry into union aims and methods was demanded. The unions themselves joined in this demand, not merely because they wished to demonstrate the peaceful character of their work, but also because they desired to know their exact legal position. The act of 1825 had declared that trade societies were not illegal; but were they legal? Had they any legal personality such as would be recognized in a court of law, or were they to be regarded as non-existent because their actions might be regarded as being in restraint of trade? By 1867 most unions had accumulated large funds, and since the bulk of this money was for friendly society work, unions had been allowed to register as friendly societies, thus gaining a legal status. This position had been recognized by Mr. Gladstone and by politicians generally, and the unions felt that their funds were secure. The security was shattered by a legal decision in 1867. The boilermakers sued a branch treasurer who had appropriated £24 of the funds in his charge, but the local magistrate declared that the trade union had no local status, and could not sue the offender. This decision was upheld by the Lord Chief Justice, and the unions, realizing that the verdict placed their funds at the mercy of any dishonest official, joined in the demand for a thorough inquiry into their whole position. A royal commission was appointed, on which unionism had two stalwart friends in Frederic Harrison and Thomas Hughes (author of "Tom Brown's School Days" and a leading co-operator and Christian Socialist). Thanks to these men, the unionists secured a fair hearing, and even the majority report of the commission was compelled to admit that unionism was not as black as it was painted. Hughes and Harrison in a minority report defended the unions with great vigour; they showed that very few acts of violence had taken place, and that these had occurred mostly in unorganized industries; they emphasized the value of the friendly society work, and pointed out that many unions of employers acted "in restraint of trade" far more than unions of workmen. They therefore made certain important suggestions, which were embodied in acts of 1867, 1871, 1875, and 1876. By these acts trade unions were allowed to register, in the same way as friendly societies, thus gaining the right to purchase, hold, and safeguard property. The right to strike was admitted, as was peaceful picketing and other trade union methods. Nothing done by a combination of workmen was to be illegal unless the action was illegal if committed by one workman. Finally, though registered bodies, unions were not regarded as corporations, and hence their funds could not be

called upon to pay for any damage or loss of trade caused by a strike. A union might declare a strike—just as employers might declare a lockout—but its funds were not liable for anything that happened during the strike—just as employers were not responsible for any starvation caused by a lockout. Registered, but not corporate—that was the position as it seemed to emerge from the legislative efforts of 1867-1876.

The Taff Vale Decision. Under the protection given by these laws unionism made considerable progress during the next twenty-five years, though as at all times its membership fluctuated in sympathy with the brisk or depressed state of trade. Then again it was plunged into legal chaos by the famous Taff Vale decision. Acting under the influence of a vigorous organizing secretary the workers of the Taff Vale Railway Company struck in August, 1900. Although the strike was begun without the consent of the central executive of the Railways Servants' Society the officials decided to shoulder the responsibility, and the general secretary took charge. The company at once summoned 208 men who had left work without giving notice, applied for an injunction to prevent the union from picketing the line, and asked for damages. It won its case in the first court. The union appealed against the decision, and won the day on the ground that the union was not a corporation, and therefore could not be sued for the action of its agents and individual members. Against this verdict the company appealed to the House of Lords, which re-affirmed the first decision. The company thereupon sued the union for heavy damages, and secured £23,000. The whole affair cost the railway union nearly £42,000; further, it destroyed the security which unionism had been granted under the acts of 1871-6. The doom of unionism seemed certain once more, for if unions were corporate bodies, then their funds would be depleted seriously by any strike. A great clamour was at once raised against judge-made law, and in 1906 the Labour Party secured the passage of the Trade Disputes Act, which legalized peaceful picketing and freed unions from liability for breaches of contract or "tortious acts" committed by their members in the course of a dispute. The immunity of 1876 was restored, and has not since been destroyed by any judicial verdict. But the law still had its last word to say, as will be shown later.

The Settlement of Disputes. During the years following 1850, unions gave much attention to controlling their members, so as to avoid unnecessary or unwise strikes. In many instances it was laid down that the central executive alone could sanction or forbid a strike, though the need of a ballot of members was recognized in many unions.

But the chief feature of union activity from the sixties onward was the growing reliance on conciliation and arbitration for the settlement of disputes. This movement was purely voluntary and devoid of any state initiative or compulsion. It recognized the right to strike as a most necessary weapon, and made no attempt to take that right out of the hands of the wage-earners. But the underlying principle was more and more accepted that war should only be declared when all efforts at peaceful negotiation had failed.

The policy of conciliation was first applied to the hosiery trade of Nottingham, where a conciliation board was established in 1860. An equal number of employers and employees sat on the board, and in case of a deadlock over any point the services of an arbitrator were called in.

The central board was supported by a number of district sub-committees, and beyond them was a committee in each factory, consisting of one representative from each side. When a dispute arose, the factory committee endeavoured to settle it; should it fail, the matter went to the district sub-committee, and if no agreement was reached here the case passed on to the central board, and possibly finally to an arbitrator. During all this period of discussion work was to continue, but if the final verdict was unsatisfactory a strike or lockout could be declared.

The Nottingham board was soon copied in other places, and gradually most of the big industries passed under the control of conciliation or arbitration machinery. Some boards met regularly, others only when disputes had to be settled. Wages lists, sliding scales, hours of labour, etc., all came before these bodies, and in some industries the machinery was complete. Parliament in 1867 agreed that conciliation boards could, if they wished, have their decisions recognized as legally enforceable, but as neither side wished any degree of compulsion to be introduced the act was never used. Acts of 1896 and 1908 gave power to the Board of Trade to arbitrate or appoint a conciliation board, if asked to do so by the disputing parties, and to mediate whenever it saw a favourable opportunity. But here again compulsion was kept out, and British unions vigorously resisted any attempt to take away their right to strike or to remain on strike as long as they felt disposed.

In 1913 there were 297 permanent conciliation boards and standing joint committees in existence. Between 1900 and 1909, 7,500 disputes came before such bodies—*i.e.*, 750 a year. Of these, only 104—*i.e.*, 10.4 per annum—went away unsettled, causing a stoppage of work. In 1910, 1,971 disputes came before the various boards. Looking at these statistics, the success of peaceful bargaining seemed assured; the strike resembled a barbarous relic of the dark ages, a hatchet quite as antiquated as the horse-'bus, which could now be buried with all decent haste. Then came the earthquake, for 1911, 1912, and 1913 were years of widespread industrial warfare. The average number of strikes from 1901 to 1910 had been 463 a year. In 1911 there were 903, affecting nearly 1,000,000 wage-earners. Of these the chief were in the transport industries, and for a time the railways and ports were idle. In 1912, 821 strikes occurred; the biggest was in the coal mines, where for over a month 1,000,000 miners did no work. The strike fever continued through 1913, when there were nearly 1,500 strikes, most of them small ones. This universal upheaval was obviously due to deep-rooted causes, which will be explained in a moment. Many people regarded the strikes as the death-blow to voluntary conciliation. It is, therefore, interesting to note that (*a*) of the 903 strikes in 1911, 105 were settled by conciliation or by reference to arbitration; (*b*) 4,543 disputes were referred to the voluntary conciliation boards in the same year, and of these 3,259 were settled by the boards, 289 by arbitration, and only 13 involved a stoppage of work. It is evident, therefore, that where the machinery existed it worked well, even in a disturbed atmosphere, and helped to settle many of the strikes themselves.

The New Unionism. Up to 1890 union activity was confined almost exclusively to the skilled trades. Engineers, carpenters, miners, and similar workers, enjoying regular employment and fairly good wages, were protected by their skill from any sudden influx of new labour. They could afford to pay large union fees (1/6 to 2/- per week), and so unionism flourished here,

allied to friendly society work. But little was done by the less-skilled and low-waged workers until 1890. Joseph Arch's Agricultural Labourers' Union, formed in 1872, for a time promised well, and built up a membership of 100,000. But the opposition of the landlords, farmers, and country magistrates proved too strong, and the agricultural depression starting in 1879 finally disposed of the union. After Arch's effort farm labourers remained unorganized until the eve of the war.

In the cities during the late eighties the spirit of organization was stirring among the low-paid workers. Industrial depression, Radical teachings, the reports of private and official investigations, all helped to awaken the unskilled workers to a sense of their exploitation. Under the influence of Ben Tillett, John Burns, and Tom Mann the first steps were taken towards organization. In 1887 Tillett formed the Dockers' Union; in 1888 the match girls of a big London firm struck for better pay, and their sweated conditions so excited popular opinion that they gained all that was asked for. This strike of girls, unorganized and devoid of funds, yet successful because of popular sympathy and financial support, turned a new leaf in trade union annals, and the next few years saw a vigorous outburst of union activity amongst the unskilled. In 1889 the dock strike paralysed the Port of London for five weeks. Over 10,000 wharf workers remained perfectly solid, and, led by Burns and Tillett, won public support. Subscriptions flowed in from all parts; Australian unionists cabled £30,000, and finally the men won a complete victory. A minimum rate of 6d. per hour ("the dockers' tanner") was granted, and four hours' continuous work had to be guaranteed to every man when taken on. In the same year the Gas Workers' Union secured a reduction from twelve to eight hours a day, without a strike. These early successes gave a great impetus to the new unionism. Within a year 200,000 men had been enrolled in unskilled or casual labour unions. In 1890-1 236 fresh unions were registered, and the movement, once begun, steadily extended, until by 1914 unions existed for practically every occupation.

Of these new bodies the most important were the general labour unions, which dealt with the semi-skilled and unskilled, and which had in 1917 about 750,000 members. At the same time the nineties saw the beginnings of organization amongst the "black-coat" brigade, and clerks, shop assistants, civil servants, teachers, musicians, actors, etc., eventually realized that the preservation and improvement of their standard of living could only be guaranteed by united action.

New Aims and Methods. These developments brought many new features into unionist policy. (1) The unskilled unions kept away from friendly society work. This was due partly to the financial resources of the members. Wharf labourers, gas workers, and the rest earned such small wages that they could not pay the 1/6 or 2/- a week necessary to provide friendly society benefits. A few pence were the most they could afford, and those pence must be carefully hoarded to provide a fund for organizing work and strike pay. Further, it was felt that the extent and importance of the provident work done by the old unions had made these bodies timid and conservative in their industrial policy. They were afraid of jeopardizing their provident funds by incurring heavy expenditure on strikes, and so the real trade union work was being neglected. This timid policy was accompanied by a strict exclusiveness: as Webb says, "Many of the societies were already shrinking up into insignificant minorities of

superior workmen, intent mainly on securing their sick and superannuation benefits.'' Against this policy the new unions placed one of concentration on industrial matters. No friendly benefits, no strict rules to exclude certain types of workers; but all efforts to be concentrated on industrial propaganda and progress. The new union was a fighting force—and nothing else. This singleness of purpose had the disadvantage which the old unions had guarded against. Men joined lightly, and left lightly, for there was not that permanent bond which friendly society benefits provided.

(2) **Political Action.** The rise of new unionism caused a growth of interest in political action as a means of material progress. The old unions had kept as clear as possible of political entanglements, and many of their leaders were strongly imbued with the individualist faith. In 1874 Thomas Burt was sent to Parliament by the miners of Northumberland, and in 1885 ten unionists were returned to the House of Commons. But these men had no distinct political Labour creed. They were simply Liberals; they urged political democratic reforms, but had little idea of demanding any industrial reforms beyond workmen's compensation, an increased factory inspectorate, and similar small improvements. Their time was spent chiefly in debating Home Rule, the House of Lords, and other Gladstonian measures.

During the eighties the awakening social conscience stimulated a working-class consciousness, and many of the leaders of new unionism were soaked in the ideas of George, Marx, Hyndman, Morris, Ruskin, and Blatchford. The belief grew stronger that unionism must seek drastic reforms by securing direct political representation through a Labour Party, instead of relying on strikes, collective bargaining, and the sops served out by Liberal or Conservative governments. This idea was strengthened by the strike at Manningham, near Bradford (Yorkshire), in 1893, when both Liberal and Conservative leaders sided with the employers. This action proved that on economic questions the two old parties were united in their opposition to Labour, and so the campaign for Labour representation began. In this campaign many unions took a hand, making levies or devoting a part of their funds to help in fighting elections and paying members. Unionism provided the money and also most of the candidates. In the 1906 election 50 Labour candidates stood; 29 were returned, and gathered their first-fruits in the Trade Disputes Act described above. But since there was no state payment of members, and since returning officers' fees and campaign expenses were heavy, the new party had to rely largely upon the financial support of the unions. All unions affiliated with the Labour Party paid a penny per member per annum, but some, after taking a ballot of their members, proceeded, if authorized by the ballot, to make bigger levies.

The Osborne Judgment. The increased interest in politics and the frequent levies eventually stirred up the opposition of a few unionists who were opposed to the Labour Party. The great bulk of British unionists were still wedded to one or other of the old parties, and regarded the Labour Party as the exponent of a policy partly futile, partly impracticable, partly selfish. For Liberal and Conservative unionists to be compelled to pay for the support of Labour members was therefore like giving ammunition to the enemy. The crisis came when Mr. W. V. Osborne and a number of his fellow railway unionists protested against the threat of expulsion for refusing to pay a political levy. The whole question was brought into court in 1908, and passed from court to court until eventually it reached the

House of Lords. The House of Lords, in vetoing political levies, virtually declared all but purely industrial activity to be illegal, in that it was *ultra vires*. It decided that the scope of unionist activity was limited by the definition of unionism contained in the act of 1876. Therefore anything not mentioned in that definition was illegal. On this verdict, as Webb points out, all expenditure on education, libraries, all funeral and probably all superannuation benefits, all contributions to Trades Councils and to the Trade Union Congress, as well as all levies and fees for political work—all were *ultra vires*, although many unions were spending money in these ways in 1876, and some had specifically mentioned them in their registered rules. Trade unionism had taken the definition of 1876 as a centre from which to step out into new fields; the lawyers made that definition a ring fence beyond which unions must not stray.

The trade union world was at once in an uproar, for many similar cases followed Osborne's victory. The government therefore bowed to the storm by establishing payment of members at the rate of £400 a year (1911). This did not suffice, for the unions wished to have the Osborne judgment nullified by law. In 1913 therefore the Trade Union Act allowed political work to be undertaken by any union, provided the members' consent was obtained by ballot, and any dissenting member was given the right to claim exemption from the payment of levies.

Industrial Unrest, 1911–1914.—Its Causes and Lessons. The outbreak of strike fever in 1911 and its persistence up to the very outbreak of war were due to the emergence of many causes of discontent. Of these the first and most important was the steady rise in prices and the shrinkage of real wages. Since 1896 prices had been mounting each year, and foodstuffs were 19 per cent. dearer in 1910 than in 1896. During this period most workers had secured increased wages, but these did not amount to more than about 11 per cent. Thus in spite of collective bargaining and a Labour Party wage-earners were getting poorer. For the skilled artisan this meant a check to the raising of the standard of living which had been going on quietly for two decades. He was beginning to appreciate and desire more of the comforts of life, but with coal, bread, sugar, etc., all "up," there was less money for comforts. For the low-waged, the rising prices meant a tightening of the belt and under-nourishment. To the latter class in particular it was essential that "something must be done," and since many of the unskilled unions had not been "recognized" by employers, the strike was the only weapon. Hence low-paid labour struck for recognition and for higher wages.

Secondly, some strikes were due to the failure of conciliation boards to adopt a new principle. For instance, the demand for a minimum wage for coal-miners was debated intermittently for six months, but it required the strike of 1912 to get the new principle admitted Thirdly, there was amongst the younger men in the trade union world a sense of dissatisfaction with the methods pursued by the "old gang" in charge of administration. Collective bargaining had failed to keep wages up to prices, the Labour members in parliament had become tied up with the Liberals, and were making little impression on legislation. The memories of the Osborne judgment still rankled in men's minds. Finally, few of these young men remembered the disastrous strikes and lockouts of the nineties. Therefore they declared that peaceful methods were useless, and glorified the possi-

bilities of direct action. Syndicalist ideas were in the air, and the general strike seemed the best short cut to everything.

During the years 1911-1913 strikes won some substantial victories, but there were also serious defeats. There was a general rise in wages, both in skilled and unskilled occupations. But along with these few pence or shillings, labour learned some important facts. It found that employers were now banded together in strong federations, and had behind them large fighting reserves. The constant calls for strike pay sadly depleted the union funds. Disputes in 1913 cost the chief unions £1,350,000 in strike pay, and the coal strike in 1912 cost the miners' union over £1,000,000. Hence had not the government intervened on at least one big occasion—the coal strike—it is possible that the strikers would have been defeated. Unionism realized that its strength was impaired by being dissipated among over 1,100 unions, some of which were on quite unfriendly terms with each other. Further, it was seen that whenever strikers tried to win by inconveniencing the general public to the point of protest, the general public refused to submit tamely, but set out to do the work itself, and gradually improved with practice, whilst the strikers got nearer to starvation. In short, the strike seemed to be an old blunderbuss; no matter how much polish was expended on it, no matter if the latest "sympathetic" or "general strike" brand of cartridge was used, it was still very doubtful from which end the shot would emerge.

These lessons were driven home to the unions and their opponents, and so the war found both sides strengthening the weak spots in their armour. The unions were growing rapidly, nearly 1,000,000 new members being obtained between 1911 and 1914. Attempts were made to replenish and increase financial resources. But most important of all was the effort to reduce the number of over-lapping and competing unions, and to establish some working arrangement between the big organizations. On the railways, where unionism had been very feeble until 1897, and unrecognized till 1911, three big unions fused in 1913 into the National Union of Railwaymen. Then in April, 1914, a joint conference of miners, railwaymen, and transport workers resolved to enter into an alliance, "with a view to co-operative action and the support of each other's demands." This Triple Alliance represented 1,350,000 unionists in the most vital industries of the country, and its formation presaged more effective action in future disputes. Meanwhile employers were also seeing to their armour. In September, 1913, an Employers' Defence Union was formed to consolidate the resources of employers, and maintain their rights and freedom to bargain individually with free workers or collectively with unions. The promoters of this plan intended to raise a guarantee fund of £50,000,000, which could be used to assist employers involved in disputes. On both sides further big struggles were felt to be near at hand; whether they would be settled by conciliation or warfare no one could say, but since the militant suffragists and Ulster were preaching force to the utmost, it was not surprising that many trade unionists accepted the same creed.

The War. The crisis which prefaced the outbreak of the Great War bewildered labour. No one wanted war; war had threatened so often that this was surely another cry of "Wolf, wolf!" Norman Angell had told us there would be no more wars because war did not pay—at least, that was what we thought he said; and of course the German Socialists would prevent hostilities. Labour leaders did their bit, first to preserve peace

and then to keep Britain out of the struggle, but the Belgian neutrality plea swept all before it, and on August 4, 1914, the government had the almost unanimous support of Labour in its action.

This support was quickly shown in many ways. On August 24 a conference of trade unionists and the Labour Party resolved "That an immediate effort be made to terminate all existing trade disputes, . . . and whenever new points of difficulty arise during the war period a serious attempt should be made by all concerned to reach an amicable settlement before resorting to a strike or lock-out." This industrial truce, declared unconditionally, and probably without a realization of all it meant, was loyally observed for six months. In July, 98,000 workers were on strike; in December, 3,000. During the first seven months of 1914 there had been 836 stoppages, involving 423,000 workers; during the last five months the figures were 137 and 23,000. The Triple Alliance was hung up; 200,000 miners enlisted in six months, and the Parliamentary Committee of the Trades Union Congress voiced the general feeling of Labour when it declared (September, 1914) that "upon the result of the struggle . . . rests the preservation and maintenance of free and unfettered democratic government."

By early 1915 the first flush of uncomplaining loyalty had passed away. The war had ceased to be a series of thrilling events; it had become a state of affairs, and several factors were now combining to cause a revival of labour unrest. Prices were gathering speed as they rose; by February, 1915, food cost 23 per cent. more in the big cities than it had cost in the previous June; coal was "up" at least 9/- a ton, and the influx of population to munition areas was causing a scarcity of houses and an increase of rents. To deal with this situation one of two things was necessary—either the control of prices by the government or a general increase in wages. A vigorous labour campaign in favour of price control failed, however, to convert the government from its adherence to supply and demand theories. Not until 1917 was any attempt made by the state to take charge of supplies and prices. Labour was therefore driven to the other line of action, and demands for increased payment became universal. In February, 1915, an agreement between the railwaymen and the railway companies provided for the granting of war bonuses, and this policy of granting bonuses, which were to be regarded as temporary war-time increases, became general. In some cases they were secured only after a threatened or actual strike, and so during the first six months of 1915 the number of new disputes rose considerably. In September, 1915, the Board of Trade reported that 4,500,000 workers had received increases amounting to £40,000,000 a year, and the increases not recorded by the Board of Trade brought the total up to probably £150,000,000 a year. It is doubtful whether this additional pay compensated for the increased cost of living, for food prices alone went up 42 per cent. during the first year of war.

One of the most potent causes of discontent amongst unionists was the challenge to trade union rules and customs thrown up by the scarcity of labour. After a brief period of unemployment in 1914 the demand for labour grew rapidly. This was due to the enlistment of large numbers of skilled workers, and the growing need for largely increased supplies of munitions. Engineers, boilermakers, and other metal workers were especially in demand, and yet enlistment had made the supply below the pre-war standard. For a time employers tried to secure the necessary workers by

enticing them, by offers of higher wages, from other firms. This policy of "pilfering" failed to meet the nation's requirements, and so a cry went up for the abandonment of union rules and conditions. These rules, some of them written and some unwritten but established by tradition and custom, dealt especially with "demarcation" and "dilution." Demarcation decided which kinds of skilled workmen should do particular jobs; it drew the line, for instance, between the duties of the bricklayer and the mason, the plumber and the coppersmith, the shipwright and the boilermaker, and so on, and said that no skilled man in one class should do skilled work belonging to another class. The dilution rules were intended to prevent untrained men from doing work which was regarded as a monopoly of skilled men. The increased demand for certain articles and the decreased demand for others could only be met by pulling down the walls of demarcation, and by allowing unskilled or semi-skilled workers to take up tasks which in normal times were maintained as a close preserve for trained men. This argument was put forward with great force by the big munition makers, and was for a time resisted most strenuously by the unions, who were especially afraid that if they once pulled down their defences they would never be permitted to re-erect them. Hence bitterness grew, and since no one grasped the magnitude or complexity of the problem, the nation groped about for a season in a thick fog, colliding with old and new landmarks, and losing its temper in consequence.

The Munitions Act, 1915. Gradually the fog cleared and it became possible to see how the land lay. The war was seen to be an engineers' war; vastly increased supplies of munitions must be forthcoming, and so more factories and more workers must be obtained, but it was foolish to appeal to labour's sense of duty unless at the same time labour's rights were safeguarded and labour organizations fully consulted. In March, 1915, Mr. Lloyd George and other members of Cabinet met the representatives of over thirty unions connected with munition work. At this conference an agreement was reached which was embodied in the Munitions Act, July, 1915. This act gave extensive powers to the new Ministry of Munitions, and its chief provisions were as follows:

(1) Compulsory arbitration was to be established, and strikes and lock-outs were illegal except after three weeks' notice and failure to secure settlement by the Board of Trade.

(2) The new Ministry had power to declare any factory in which munition work was being carried on a "controlled establishment." In such factories any profits exceeding by one-fifth those made before the war were to be paid into the Treasury. At the same time any trade union rules which tended "to restrict production or employment" were to be suspended for the duration of the war only. No change in wages or salaries in these firms could be made without the approval of the Ministry of Munitions. Pilfering of employees was checkmated by providing that no controlled firm could give employment to any man who during the six preceding weeks had worked for another controlled employer, unless the man possessed a certificate of discharge from his former firm or from the munitions tribunal.

(3) Munitions tribunals, national and local, were established to give certificates of discharge to those men who could prove their case for change of employment. These tribunals consisted of a chairman, aided by representatives of capital and labour.

This act, drawn up in a hurry, conferring vastly increased powers on the state, and implying big sacrifices by labour, achieved its main purpose, but caused so much friction that it had to be amended on several occasions. By November, 1915, 1,700 factories were controlled, and this number increased steadily, until eventually the whole field of mining, industry, and transport came directly or indirectly under the management of the state. This control did not, however, eliminate friction. Prices still rose, and as they soared the hatred against the capitalist—now usually described as a profiteer—became bitter and widespread. Readjustment of wages could not be made without the approval of the Ministry of Munitions, and such changes were frequently delayed indefinitely. In the munitions tribunals the labour representation was at first unsatisfactory, but in December, 1915, it was agreed that representatives should be appointed by local unions. These tribunals frequently appeared to act unjustly in withholding discharge certificates from men who wished to change their place of employment—so unjustly that the Munitions Act became known to many people as the "Workers' Slavery Act." Dilution brought its difficulties, for as women and unskilled workers were brought into industry and placed in charge of machinery, the skilled men looked askance at the new arrivals, especially as the piece-rate earnings of some new workers were far above the time-rate earnings of the old skilled men. When conscription was introduced a strong suspicion arose that some workers were allowed to be taken into the army without any protest by their employers, on the ground that they were active members of trade unions. Add to these grievances the fact of nerves racked by overtime, deficient housing, insufficient food, war sorrows and bereavements, a sense of unequal sacrifice, with labour giving much and capital taking much, and a knowledge that the government would not or could not keep its pledges concerning the restoration of union rules; add finally the disturbing effect of the Russian revolutions, and a growing uncertainty as to the real character of allied war aims; then the industrial unrest of 1916-18 can be understood.

New War-Time Developments. To meet the changing conditions of the war period old developments were accelerated and new devices adopted. (1) Industrial unionism grew in popularity. This was due not merely to the preaching of theorists and propagandists, but to the blurring of the old distinctions between skilled and unskilled in the big industries. Work once done only by skilled engineers was now done—thanks to standardization of products, automatic machinery, and the suspension of union rules—by persons who learnt their little specialized task in a few days or weeks. To meet these new conditions organization by industry was better than organization by craft. Hence the Trades Union Congress of 1918 welcomed the growing tendency towards industrial unionism, and during 1917 and 1918 many important federations or amalgamations of kindred unions took the movement further away from the narrow craft basis. In 1920 the A.S.E. and other leading metal-working unions merged themselves in a powerful Amalgamated Engineering Union.

(2) The most significant development of the war period was the appointment of *shop stewards* and *shop committees*. Shop stewards were not unknown before the war, but they were unimportant. The rapidly changing workshop conditions and the coming of dilution raised many difficult points during 1915 and the following years. These points would in normal times have been referred to the district or central union officials, but now there

was need for rapid decision, and the central office seemed far away and very sleepy. Hence unionists at work in the shops felt the need to have some representative on the spot to whom they could refer knotty problems, and through whom they could deal with the employer. In various firms, especially on the Clyde, members of a union in a shop got together and elected one of their number to represent them. This man was the shop steward, and in a firm containing members of many unions the number of shop stewards thus chosen might be great. In such cases these men formed themselves into a works committee, and the works committees in a district formed a district works committee. This whole movement was largely unofficial, and obviously took out of the hands of the union officers the handling of important trade union affairs. Some unions accepted the inevitable, and officially recognized the shop steward. Some employers did the same, and in many large factories the works committee and the employer's representatives met, when necessary, to deal with dilution and possibly also wages and other matters. Some unions, however, refused to recognize this new development, and repudiated vehemently a number of strikes authorized and organized by the shop stewards.

(3) During the last two years of the war discussion, official and unofficial, on "Reconstruction" was a most popular hobby. In 1916 the government appointed a committee, under the chairmanship of the Rt. Hon. J. H. Whitley, M.P., to make recommendations concerning the future relations between employers and employed. This committee proposed a scheme for the establishment of general standing industrial councils, supplemented by district committees and works committees, for each industry. On these bodies there was to be equal representation of the two sides, and where possible the members should be chosen by the employers' associations on the one side and the trade unions concerned on the other. These trade parliaments were to deal not merely with questions of hours and wages, but were to devise means for the "better utilization of the practical knowledge and experience of the workpeople," the improvement of conciliation machinery, technical education and training, industrial research, improvements in industrial technique, and the consideration of any proposed legislation affecting the industry. The committee was opposed to compulsory arbitration, and believed that industrial harmony, efficiency, and prosperity could best be obtained by the voluntary co-operation of organized capital and organized labour. The Whitley plan was adopted by the government as an official part of its plan of reconstruction, but neither employers nor employed hailed the proposals with any great outburst of enthusiasm. Some employers resented the idea of workers' participation in discussions of the policy of industry, and many trade unionists felt that the joint councils would bring labour leaders into too intimate and demoralizing contact with employers. Still a number of joint industrial councils were established, and in 1919 there were about 50 in all, dealing with industries employing over 4,000,000 workers; in addition to these, the British government was compelled in 1919 to drink its own medicine and institute councils throughout the public service. Events since the Armistice do not, however, offer much hope that the plan will revolutionize industrial relationships in any large field of employment; the leading well-organized industries prefer either to stick to old methods of conciliation and strike, or to achieve more ambitious aims through political action.

(4) State regulation of wages was extended to cover almost the whole field of employment. The revision of wages rates and the determination of differences between employers and employees under the Munitions Act passed in 1917 into the hands of a Committee on Production. During the first year of its existence this Committee issued 1,333 awards, covering the industries of the country, and dealing with piece work, hours, holidays, etc., but especially with applications for increased wages necessary to meet the increased cost of living.

Since the Armistice. The cessation of hostilities in the war zone was soon followed by the outbreak of hostilities in the industrial zone. During the first nine months of 1919 there were 1,157 strikes, affecting 2,500,000 workers and entailing the loss of 26,000,000 working days; 1920 was little better, with the coal strike of October as the outstanding event. The causes of this unrest were numerous and complex. Wages disputes were most prominent, for unionists had to get increased rates to meet the rapid rise in prices which followed the decontrolling of commodities, or wished to get their war-time bonuses converted into permanent wage increases. Some outbreaks concerned reduced hours, for although there was a general adoption of the 47, 48, or even 44 hour week, some sections strove for 40 hours, and the miners demanded a six-hour day. Shorter hours were demanded in many places as a means for preventing unemployment among ex-service men. But although wages and hours questions were important, the roots of discontent went deeper. There was a strong belief that "profiteering" was rampant, that capital was "doing" better out of the peace than it had done out of the war—a belief strengthened by the extravagant spending of the rich and the flood of high dividends and bonus shares given to shareholders. There was a firm conviction that the peace settlement was one of trade spoils to the victors, and that "big business" was pulling the strings of government, both in internal politics and in foreign affairs—*e.g.*, the war on Soviet Russia. Finally, unionism became more "revolutionary," and began to press hard for nationalization, especially of railways and mines. The failure to get a big strong Labour Party returned at the December, 1918, election meant that organized labour must endeavour to achieve its aims by industrial action. The Coalition party in the new parliament was composed largely of "hard-faced men who look as if they had done very well out of the war," and the size of the anti-Labour majority was such as to offer Labour little hope of getting its wishes realized—or the good things promised it during the war—by political action.

Further, since the government continued to retain control over some big industries, especially coal and railways, all negotiations for improved conditions had to be carried on with an authority which was the political and industrial antagonist of labour. Hence the only possible method seemed to be the use of force, and those who advocated direct action in order to achieve both political and industrial ends grew in number and influence.

The tendencies of the period are best seen in the controversies which raged around coal-mining in 1919 and 1920. In January, 1919, the Miners' Federation put forward claims for a six-hour day, increased wages, and the nationalization of the industry, supporting these claims by a threat to strike. To avert the strike the government appointed a royal commission, containing an equal number of representatives of capital and labour, with Mr. Justice Sankey as president. The Commission met at once, and recommended a wages increase, a seven-hour day till 1921, and a six-hour day after that

date. It then proceeded to examine the plea for nationalization, and after a series of exciting public sessions, in which 116 witnesses, including several dukes, were asked 28,000 questions, recommended in a majority report signed by the chairman that coal-mining be nationalized and the industry administered by national, district, and local councils, composed of representatives of the crown, the workers, the technicians, and the coal consumers. The government declined to accept this recommendation. The miners thereupon endeavoured to persuade the unions generally to declare a general strike in order to coerce the government into submission, but the attempt failed. Organized labour declined, although much provoked, to use the industrial weapon for political ends. And yet in the summer of 1920, when war with Russia threatened, organized labour established a Council of Action and threatened the government with a general strike unless all designs of attack on Soviet Russia were at once abandoned. The men who opposed the strike for nationalization fathered the threat to strike to prevent war.

The position to-day (1920) is complex. Meanwhile unionism advances with giant strides numerically, and in September, 1920, had over 7,000,000 members on its books. What this big army will do at any time depends upon the character and ideals of its leaders, the material condition of its members, the future of British industry, and the actions—wise or foolish—of its opponents.

Books Recommended. Webb, S. & B., ''History of Trade Unionism, 1666-1920,'' and ''Industrial Democracy''; Cole, G. D. H., ''World of Labour,'' ''Labour in War-time,'' and ''Introduction to Trade Unionism''; Ashley, W. J., ''The Adjustment of Wages''; Layton, W. T., ''Capital and Labour.''

CHAPTER XV.

TRADE UNIONISM IN EUROPE AND AMERICA.

(a) EUROPE.

General Characteristics. From Great Britain the trade union movement spread to the rest of Europe, and even farther afield, and to-day is known in every land where modern forms of industry exist. In 1912 there were 7,000,000 unionists on the mainland of Europe; nearly half of them dwelt in Germany, but with the ever-growing industrialization of all European countries unions were to be found even in such small or backward regions as Finland, Spain, and the Balkan States.

The story of the growth of this movement is very similar in all the countries. Machinery, steam, and capital entered the land. The gulf between employer and employed grew wider. All the unpleasant features which we associate with the Industrial Revolution in Britain appeared and produced a desire among wage-earners to act in union to protect themselves. This desire was often created and strengthened by the influence of a local socialist movement; continental unionism did not begin until the sixties or seventies, and by that time socialism was being preached in many lands. In Germany socialism and unionism went hand in hand, to the advantage of both; in other countries socialism was parent to industrial organization; everywhere the antagonisms to one's own employer in particular and to the capitalist system as a whole were closely akin, and the chief unions strongly imbued with social democratic sentiments.

From its inception European unionism had to face great difficulties. The opposition of the employers was more fierce and unscrupulous than in England, and full recognition is not yet granted in many countries and industries. Employers met organization with counter-organization; the lock-out was a popular weapon, and the employers frequently succeeded in straining to breaking-point the defence of the wage-earners. Meanwhile governments did their bit by rigorous policies of repression. In most European countries autocracy or autocratic traditions survived up to quite recent times; the feudal idea of lord and serf suffered little in strength by its translation into terms of modern industrialism. In France the various revolutions handed power over to the commercial and industrial interests, while the lack of education or of political power left the European wage-earners generally at the mercy of their rulers and employers. Further, the alliance between the socialist and the trade union movement strengthened the opposition to the latter. Hence for decades the various governments refused to give legal sanction to labour organizations, and even when this was eventually granted it was so hedged round by restrictions and threats as to make its value small. Strikes were suppressed by the use of troops, and martial law hung over the heads of the union leaders. Unionism was for long regarded as little more than a conspiracy, which must be crushed as an enemy of the state whenever it dared to raise its head. This attitude of hostility had not been abandoned in some countries on the outbreak of the war.

The alliance between social democracy and trade unionism had two other curious effects. The first was the creation of anti-socialist or non-socialist unions, which aimed at keeping the wage-earners from passing under the influence of the social democrats by gathering them into a "safe" rival fold. Of these the most important are the "Christian unions" established under the shelter of the Roman Catholic Church, and found in most European countries. Radical unions also exist, and a small sprinkling of "patriotic" or "national" unions can be discovered by diligent search. Radical and separatist political feeling is another cause of schism in some countries, especially in the former Austrian Empire. On the whole, however, the strength of these bodies is small when compared with that of the social democratic organizations, and the latter are the real leaders of the unionist movement throughout Europe.

The second effect was to create dissatisfaction among advocates of social revolution. The big unions of Europe adopted industrial methods very similar to those of Great Britain. Conciliation, collective bargaining, and, if necessary, strikes, were the lines of advance; industrial warfare was avoided wherever possible, as it exhausted the funds and might threaten the life of the organization. Much friendly society work was also carried on. Of any hope or intention of transforming economic society the unions as unions had little; they left that to the political movement, and regarded the revolutionary general strike as a clumsy two-edged weapon. Big changes in society could come only as the result of political action. This attitude was repugnant to those who had lost all faith in the state, distrusted political action, and regarded state ownership and control as little if any better than private enterprise. These opinions were held by many, especially in France and Italy, and formed the basis of syndicalism, with its doctrine of the general strike. Syndicalism, therefore, stands opposed to the cautious policy pursued especially by German unionism, and its clamour for vigorous direct action to achieve the social revolution has gained converts in different lands.

German Unionism Before the War. In point of numbers Germany had in 1912 more members enrolled in its unions than any other country. In that year there were 3,300,000 unionists in Germany, 3,000,000 in the United Kingdom, and 2,500,000 in the United States. If one takes into account the size of the industrial population, however, Germany's percentage fell below that of Great Britain. Still, when we remember that up to 1890 unionism in Germany was illegal, and that the membership of her labour organizations in 1890 was only about 300,000, the figures for 1912 indicate the energy which marked German union propaganda during the preceding twenty years.

German unions were of three kinds:

(1) The "Free" or Social Democratic bodies, which in 1912 had 2,530,000 members.

(2) The Radical unions, with 109,000 members.

(3) The Christian unions, with 345,000 names enrolled.

Of these the second and third were, as their membership indicates, of minor importance, and can be dismissed in a few lines. They were both anti-socialist, and were based on a harmony rather than an antagonism of interests between employer and employee. The Radical unions, formed in 1868 by Max Hirsch, gathered together men who were in sympathy with political Radicalism. They preached free competition and self-help, repudiated any political action, sought friendly relations with employers by

means of collective bargaining instead of strikes, and gave friendly society benefits. Thus they resembled the "old unionism" of England, and drew into their ranks the skilled well-paid artisans, especially the engineers. Owing to their non-political character, they were not suppressed by the government, and flourished whilst the socialist bodies were under legal ban (1878-1890). After 1890 they stagnated and their membership actually declined after 1910. The Christian unions were established in 1893 by the Roman Catholic Church, which was afraid that its devotees might be drawn into the socialist organizations and thus imbibe the anti-religious doctrines preached by many socialists. These unions accepted the existing political and economic order as "necessary and expedient," and sought by collective bargaining to obtain " a larger influence in the determination of the social order and the conditions of labour." Progress was made chiefly in those districts where Roman Catholicism was strongest and socialism had little hope of making headway. Miners, textile workers, and railway men constitute the bulk of the membership. In spite of all efforts to keep the men tractable and peaceful, the unions have adopted much of the organization of the socialistic unions, and on some occasions have joined with the latter in industrial disputes. In fact, there were many signs before the war that class-consciousness was growing in the Christian unions, and that they were drawing nearer to the ideal of the socialist bodies. Germany presented a few instances of what the Social Democrat called "yellow" unions. These were subsidized, if not established, by the employers on "free labour" lines, and must keep the peace, with their eyes shut and their mouths open. Along with the "patriotic" and "national" unions, whose character is evident from their names, they were insignificant, and had no real influence on labour conditions.

The "Free" or Socialist Unions. The full strength of German working-class enthusiasm has been directed into two parallel channels, political and industrial. The two movements have helped each other along, but the limits of their respective activities are clearly marked. Both were, before the war, characterized by efficiency in organization, singleness of purpose, and staunch class loyalty. Both had to work in face of strong opposition, but while the political movement until 1918 ran its head with little effect against the autocratic governing system, the trade unions achieved a fair measure of success in their efforts to improve industrial conditions.

The socialist unions, which first appeared about 1868, were born of the new political socialist movements influenced by Marx and Lassalle. When the followers of these two preachers fused in 1875 the unions began to make some progress, which was helped by the growing industrialism following the Franco-German War. In 1878 Bismarck seized an opportunity to declare socialist bodies illegal, and for twelve years the whole movement, political and industrial, lay under the ban. In ten years 108 trade unions were dissolved by the authorities, but in spite of this the movement managed to keep alive.

In 1890 the repressive law was repealed and the industrial code of 1891 gave the right to combine and strike to all except state employees, agricultural labourers, and domestic servants. A trade union congress was at once called, the General Commission of Trade Unions established, and a plan of campaign drawn up. Fierce opposition had to be met, and until 1893 the membership fell by half a million, standing at 220,000 in that year. Then the tide turned. By 1904 a million members had been enrolled; the next

six years added another million, and by 1912 over 2,500,000 names were on the books, one-eleventh being those of women. This rapid growth was due to many causes. The German worker was an easy man to organize, and fell readily into his place as a member of a political or industrial body. Socialism, with its gospel of class-consciousness and the class struggle, created a favourable atmosphere, which was kept clear and keen by the many socialist and trade union newspapers. But the greatest cause of success lay in the system of organization and the thorough propaganda.

The Greater Unionism. It was in organization that Germany gave a lesson to the rest of the trade union world. In many lands one hears the demand for a few big unions, or for the merging of all into "one big union." Germany alone came near that "greater unionism." In 1912 the 3,000,000 unionists of the United Kingdom were organized in over 1,100 unions. In 1919 the 628,000 unionists of the Commonwealth were enrolled in 394 bodies. In Germany the number of socialist unions never exceeded 66 (1906), and in 1914 stood at 47. Of these, the metal workers' organization had 550,000 members, the builders 326,000, while five others had over 100,000 members each.

The reasons for this solidarity are easy to find. In the first place, the teachings of Social Democracy created a strong sense of class solidarity, and taught wage-earners that the engineer, the bricklayer, the carpenter, the labourer, and the unskilled worker were all akin, in spite of differences in skill and pay. Narrow sectional unions were unable to live in this atmosphere, and although the idea of class solidarity was not carried to its logical conclusion of one big union, the number of bodies was kept as small as possible, and all were linked up in a powerful federation, the General Commission of Trades Unions. Secondly, the socialist unions grew from the centre outwards into the various districts, while in England and Australia local unions were formed which gradually felt their way towards a state or federal centre. The German growth was therefore completely influenced by the aims and methods of the central authorities, with the result that a uniform policy was adhered to. Thirdly, the strong opposition which the unions had to face compelled them to make their organization as strong as possible. They recognized that their fighting forces were much more formidable in 47 big armies than in 1,000 small ones.

Under the influence of these forces there was a persistent tendency towards amalgamation of kindred unions. In 1909, for instance, the umbrella makers joined in with the woodworkers; the dockers, seamen, and transport workers amalgamated. Every class of metal worker, skilled or unskilled, was in one big union; the builders' union included all but the carpenters, who could not decide whether they should go in with the builders or the woodworkers; the transport workers' union embraced porters, dockers, warehousemen, cabmen, taxi-drivers and conductors, window-cleaners, etc. The immediate aim was thus industrial unionism.

Each of these big bodies was organized in districts and craft sections. In order to prevent any numerically strong section of the union from exerting too great power, a delicate system of checks and balances existed. For instance, the metal workers were divided into 26 craft sections, according to the character of the work done. One of these sections—*e.g.*, labourers —might be much larger than any of the others, and its vote might dominate the affairs of the union. To prevent this each craft section, whether large

or small, was given one representative on the district council, while each district council elected one member to the central executive.

Union Activity. The energies of German unionism were absorbed in the usual kind of trade union duties. The work was clearly marked off from that of the political socialist movement, although the political and industrial leaders often conferred on matters of common interest. Better wages, shorter hours, improved working conditions, these were the demands which the unionists made to the employers. But before there could be negotiations on such matters there must be recognition of the unions by the employers. This was long in coming. German employers talked about "free contract," and asserted their determination to be masters in their own house. True, their despotism might be benevolent, and the provision of pension, benefit, and holiday funds, the building of canteens and workmen's dwellings, the institution of milk depots, etc., all revealed alike the philanthropic and the patriarchal outlook of the employer. To a patriarch, a union official is anathema, and as the German employers realized the growing strength of unionism they banded for a counter-attack in strong employers' unions. They refused to negotiate difficulties with the men's representatives, and when necessary declared war. The lock-out was the favourite weapon, and was used frequently with occasional success. In 1910, for instance, there were 1,385 offensive strikes to secure better conditions, 839 defensive strikes to oppose reduced wages or increased hours, and 970 lock-outs. From 1900 to 1910 there were 2,760 lock-outs, some of which aimed frankly at smashing the unions or exhausting their funds.

Against such opponents the unions had to proceed with extreme caution. The central executives kept themselves well informed about movements on the other side, and judged shrewdly when to fight and when to be quiet. No strike could begin without the consent of the central body, but once the consent had been given the officials threw themselves whole-heartedly into the task. There were many defeats, but many victories also. Further, after 1906 some employers abandoned their hostile attitude, and collective bargaining grew in popularity. For instance, in 1910 there were 9,690 "movements," which secured reduced hours for 1,300,000 people and increased wages for 800,000. Of these 9,690 two-thirds were settled without any stoppage of work, only 3,200 going to the length of a strike or lock-out. Thanks to such efforts, the wages level was being generally increased before the war, while the hours of labour, which at one time were 12 or more a day, were reduced to 10 or even less. The objective was an eight-hour day.

In addition to purely industrial work, most of the unions offered friendly society benefits as well, and in normal years much more money was disbursed in this way than in dispute pay. But the most interesting feature of the German unions was the stress which they placed on education and propaganda. In each big city large buildings were erected, containing not merely offices and meeting halls, but restaurants, lodging accommodation, baths, libraries, classrooms, etc. Throughout the country there were in 1912 70 such buildings; that in Berlin cost £100,000 to erect. Most branches possessed a lending library. In 1912 £16,000 was spent on libraries, and in 1910 £4,000 was devoted to providing lectures on all manner of subjects, ranging from trade union history to the philosophy of Kant. Officials were expected to be well-trained men, and the General Commission therefore ran a trade union school at Berlin, at which a six weeks' course of intensive study was provided in economics, trade union history, theory and practice,

insurance laws, industrial hygiene, and the trust movement. The General Commission also had a department of social politics, which prepared material relating to social legislation, and supplied it to politicians, journalists, and students. Great care was given to the compiling of union statistics, and in 1910 there were 112 full-time and 203 part-time legal advice offices, established to give advice and practical help to employees in disputes with employers or in cases affecting insurance claims. Nearly every union issued a trade journal weekly, or even more frequently, and these, along with the 70 Socialist daily papers, helped to keep members well informed on all new developments. Propaganda was a big item of expenditure, £150,000 being spent in this work in 1910.

Since 1914. The war found German unionism bracing itself for a fierce encounter with capital and probably with the state, but by Christmas, 1914, all that was forgotten. Many unionists, both leaders and rank and file, were theoretical internationalists, but when the war was described to them as an unprovoked attack on the Fatherland such theories went overboard. The leaders, such as Legien and Bauer, sided with the majority of the Social Democratic Party, and in word and deed threw their full weight on the side of the government. The administrative machinery was placed at the state's disposal for coping with distress and labour dislocation; the union press did useful propaganda, especially in attacking Liebknecht and the Minority Socialists; union officers co-operated closely with the War Department to administer the scheme for industrial conscription of civilians established in November, 1916. All this activity was justified by the arguments that the German working-class really did care for the Fatherland: that the war was a purely defensive one, forced on Germany by the French desire for revenge, the British jealousy of German commercial expansion, and the Czarist lust for territory; that defeat meant misery, and that only by victory could German trade unionists enjoy that prosperity which came from easy access to the world's markets. A drastic censorship kept the other side of the story out of the way.

The membership of the unions suffered severely, and by the end of 1916 there were less than 1,000,000 members in the "free" unions. Then came a marked recovery, with 1,250,000 by December, 1917, of whom over one-quarter were women. In 1918 defeat and disillusion descended on Germany, and produced the Revolution of November 9. That revolution was begun by the sailors, who were soon joined by the soldiers and later by the wage-earners. Each of these three sections established councils, following the lead of the Russian Soviets, and for a few days all power, political, economic, naval and military, lay in the hands of these councils, with a National Congress of Councils and a Cabinet of Commissaries at the centre. Autocracy had gone, and sovietism seemed destined to take its place. But soon the tide turned. The "old gang" in the trade union world—Legien and the rest—were at one with the Majority Social Democrats in desiring an ordinary parliamentary democratic constitution, and hence the councils were soon persuaded to hand over their power to a government and legislature selected on orthodox democratic lines, whilst the revolutionary councils were ignored or repressed. Many workmen regarded this as a betrayal of the revolution, and supported the Independent Socialists, who desired a combination of parliament and councils, or the Communists (the Spartacus group) who wished all government to be in the hands of the councils. Much blood was shed before the government won the day.

Out of the events since the Armistice trade unionism has come with many scars and some gains. Its ranks are torn on the question of soviet versus democratic rule: many of its members have been made subjects of Poland, France, or Belgium: unemployment, famine, and war-weariness have left their mark. At the same time ground has been gained at some points. In the height of the November revolution, German employers, fearing expropriation, accepted the old union demand for an eight-hour day and agreed to the establishment of what are in effect Whitley councils to deal with wages, welfare, and other industrial conditions. When the constitution was being framed, unsuccessful attempts were made to give the workers' councils an important part in the government of the country. Finally, full right of association "with the object of guaranteeing and improving conditions of work and of employment" was secured "to all individuals and all professions," and employers and employed were to co-operate on a basis of equality in regulating wage and work conditions and in furthering the general economic development of the country. For this purpose employers and employees were each ordered to organize (1) works councils, (2) district councils, and (3) a central council. The two sides were to meet in District Economic Councils and a Central Economic Council to deal with industrial matters generally, including the administration of socialized industries, and the initiation or consideration of bills "on social and economic questions of fundamental importance. In January, 1920, a law was passed detailing the character and powers of the workers' councils. How these constitutional provisions will work remains to be seen. The unions have grown enormously in size: that of the metal workers in 1919 had over 1,350,000 members, and the 54 "free" unions totalled 6,400,000 members in September, 1919. Most of the new members are young men, back from the trenches, soured and revolutionary in outlook. In their hands German unionism may go on the path that leads to Moscow.

Unionism elsewhere in Europe. The trade union movement in France, a million strong in 1912, is so involved in the story of syndicalism that consideration of it must be deferred to a later stage (Chapter XXIV).

The Austrian story resembles that of Germany, with socialist, Christian, yellow and national unions, and with the socialist bodies by far the strongest. Racial questions, such as the desire of the Bohemians for self-government, and the clash between Germans, Poles, Italians, Slavs, etc., all created complications and retarded progress. War, peace, famine, and depression have overshadowed life since 1914. In Hungary the wage-earners were still struggling in 1914 for the right of association. Railway servants and miners were expressly forbidden to join unions, but here as in Germany they did so, enrolling under a number instead of by name. In spite of obstacles, progress was made and useful results obtained. After the Armistice many unionists adopted the Bolshevik faith, and helped Bela Kun to run his short-lived communist republic in 1919. When red gave place to white they paid a heavy price for their part in the venture, and a "white terror" which ensued was so brutal that the International Federation of Trade Unions called upon the Allied governments to intervene, and upon organized labour to boycott Hungary. In the Scandinavian countries labour organization has grown fitfully during the last thirty years, but employers' unions have been so strong as to make it possible to beat the employees at many points. A general strike in Sweden in 1909 was a complete failure, and the attacks upon unionism and socialism have been fierce and frequent.

Italy, still largely agricultural, has built up strong unions of land labourers. The urban workers have been attracted in large numbers to the syndicalist creed, and the movement generally, both political and industrial, has been divided in its allegiance between socialism and syndicalism, with bitter recrimination between the two sections. Many unions have for years past endeavoured to establish their own productive works, or have taken contracts for the construction of public utilities, etc. (See Chapter XXVII.) By 1920 Italian labour had become aggressive, and in the summer of that year several important factories in the north of Italy were seized and held for a time by the operatives. This outburst ended in the provision by the state for a great measure of workers' control over the industries affected. In Slavonic countries, especially Russia, unionism had to face the repressive policy of the state and the employer, and organizations therefore grew up and acted as secret societies. In Russia the unions were almost entirely revolutionary socialist in policy, and played no small part in the revolution outbreak of 1905 and the two revolutions of 1917. In Spain organized labour has had to meet similar persecution, which culminated in 1910 in an attack by the police and the army, the imprisonment of the union leaders, and the seizure of the offices and books. Since that time unionists have passed over rapidly into the socialist or syndicalist camp; their demands have brought into being a powerful employers' association, which in 1920 decided upon a general lock-out of workmen throughout the whole country. Belgium before the war showed the idea of rival unions carried to ludicrous extremes. Catholic, Liberals, and Socialists, the three political parties, did not unite for any purpose whatever, and thus there existed socialist, Catholic and liberal unions, co-operative societies, friendly societies, etc. The tendency of working-class opinion was, however, towards the socialist unions, and this tendency has manifested itself again since 1918. In Belgium, as elsewhere, the post-war growth has been wonderful. In 1913 there were 129,000 unionists: in 1919 there were 614,000.

Books Recommended. Cole, G. D. H., "The World of Labour"; "Labour Year Book," 1916; Dawson, W. H., "Evolution of Modern Germany," pp. 106-147; Sanders, W. S., "Trade Unionism in Germany"; Ogg, F. A., "Economic Development of Modern Europe," pp. 451-473; Young, G., "The New Germany"; Bevan, E., "German Social Democracy during the War"; Annual International Reports of Trade Union Movement, published by International Secretary of National Trade Union Centres.

(b) THE UNITED STATES.

The story of trade unionism in the United States is largely that of the American Federation of Labour, and of the unions, large or small, international or local, affiliated with it. In addition to these bodies some attention must be given to the railway brotherhoods, the romantic Knights of Labour, and the Industrial Workers of the World.

Beginnings. American unionism emerges about 1790, in the formation of local craft unions amongst the carpenters, printers, and tailors. The gulf between employer and employee was appearing, the old customary and legal conditions of industrial regulation were breaking down, and attempts were being made to employ men who had not served the traditional period of apprenticeship. New York had a strike in 1802, and in 1821 the employment of a non-unionist, described at that date as a rat, caused a

strike. Between that date and the Civil War many unions were formed, and some federations established. Some of them were influenced by the communistic ideas of Owen and Fourier, or by the prevailing humanitarian and democratic doctrines of the period. Hence they advocated wide social, economic, and political reforms, such as free schools, land reform, co-operation, and the establishment of model communistic villages. All this activity, however, was small in its sum total, for America really had no industrial problem of any size until after the Civil War. The country was still primarily agrarian, and except in a few urban occupations capitalism had not developed to any great extent. The wage-earner need not feel that the road to independence was closed for him, for at the worst he could go west and secure land cheaply. Hence he need not worry much about unionism or the solidarity of his class; rather he looked forward to the time when he would be able to treat his own workpeople as his employer was now treating him.

The years following the Civil War saw the beginning of the real industrialization of the United States. Oil, coal, and metals were now exploited, manufactures sprang up, machinery became all-important, the business unit increased in size, transcontinental lines multiplied, and the whole market grew with every extension of the bounds of settlement further west. With these new developments the road to freedom grew gradually narrower and more steep, and the American worker grew nearer to the stage of once a wage-earner always a wage-earner. Real trade union effort, therefore, began during the industrial revolution which followed the war.

The Knights of Labour. Of the many varieties of organizations—local and national, craft and trades—which emerged in the next twenty years the most interesting was the Knights of Labour. The Noble Order of the Knights of Labour was founded in 1869 by a handful of Philadelphia garment-cutters. In its structure and functions it resembled the all-embracing unions formed in England under the influence of Owen. Its aim was to unite in one big body those engaged in all branches of honourable toil, whether wage-earners or independent, regardless of occupation, sex, creed, colour, or nationality. Farmers were thus eligible for membership, but publicans, lawyers, bankers, stock-brokers, and professional gamblers were excluded, because they were the representatives of the "money power," and their occupations were regarded as dishonourable and anti-social. At first the meetings were full of elaborate ceremony and ritual, carried on in secret. The officers included Master Workmen, Worthy Farmers, Venerable Sages, Worthy Inspectors, etc. The Order laid great stress upon the dignity of labour and upon the need for helping its members to better their condition morally, socially, and financially. When in 1881 it abandoned its policy of secrecy its membership grew, and in 1886 there were at least 600,000 names on the roll. Branches were formed in England and elsewhere, and for a time the Order was a powerful force. It attempted to influence legislation, demanding an eight-hour day, protective laws for factory and mine workers, compensation for accidents, arbitration, state and federal labour bureaux, the single tax, etc. It succeeded in securing the establishment of the Federal Bureau of Labour, the passage of some factory acts, the stoppage of Chinese immigration and of contract labour, and similar reforms. But whilst giving great attention to political activity, it did not shun strikes, some of which it brought to a successful issue. After 1886 its influence declined, and to-day its membership is less than 10,000. Its failure was

due to an over-ambitious political programme, to defeat in important strikes, to a lack of uniform ideas and interests among its members, and to its attempted centralization of control.

Craft Unionism and the American Federation of Labour. As the Knights of Labour declined and the big union idea lost its charm, American skilled workers grouped themselves in less spectacular craft organizations. Local unions were formed for each occupation, and there are probably 30,000 local craft bodies in existence to-day. In some instances these local units grouped together to form state or national craft unions, some of which described themselves as international on the ground that they had branches in Canada or Mexico. These local, national, and international unions united in 1886 to form the American Federation of Labour, and since that time almost all the unions, except the railway brotherhoods and one or two other bodies, have joined the Federation. In 1916 the bodies affiliated to the Federation had over 2,000,000 members.

The Federation was formed primarily to link up craft unions. Gradually, however, it allowed industrial unions to come in, and gave recognition to the need for a bigger unit than the craft by establishing within itself departments for the building trade, railways, metal trades, mining, etc.; in these it federated the various craft unions involved in each big industry. The Federation itself operates through its annual convention and its executive officers. It has little actual influence over the constituent unions, and takes care not to interfere with local craft autonomy. Only matters of general interest come before the Federation executive, which spends its time seeking further affiliations, settling demarcation disputes, encouraging the labour press and the use of the union label, giving financial and moral assistance in strikes, and safeguarding the rights of wage-earners by legislative and political action. Since 1886 Samuel Gompers has been its President (except for one year), and during most of that time has dominated the general policy, though, as will be seen later, his power has been challenged successfully in recent years.

Aims and Methods. The functions of most American unions, especially those in the Federation of Labour, have been business rather than revolutionary. The capitalist system is accepted, and the unions have aimed at getting the usual improved conditions inside that system. Hence the fights of the last forty years have been concerned with demands for reduced hours, increased pay, "recognition," the adoption of the trade union label, friendly society work, and improved labour legislation. On each of these points some success can be recorded. Hours of labour have been reduced to eight or nine in most skilled industries, but, since unskilled workers have been left out of the trade union scheme of things, the hours for unskilled workers are still in many cases much longer. The struggle for higher wages helped in securing an increase of 60 per cent. between 1860 and 1890, and a further increase of 60 per cent. per hour between 1890 and 1907. In some parts of the mining industry sliding scales have been introduced, by which the wages rate varies with the selling price of the product. Throughout the unions the demand for a minimum wage is general, and in many instances strong opposition is advanced to piece rates and premium bonus systems. The struggle for recognition has been long, and in some important industries is not yet won. Where recognition has been gained the road is open for the establishment of that important feature of American unionist policy, the closed shop. Unionism can only be fully effective when it has a virtual

monopoly of the labour market. This can be obtained either by bringing all the workers in any craft into a union, or by preventing non-union men from being employed. American workers, faced with the incessant influx of immigrants, would be in danger of being swamped by newcomers unless they can secure some safeguard. This is sought in the closed shop—*i.e.*, the shop or firm which employs unionists only—as opposed to the open shop, in which unionists and non-unionists work at the same trade. The closed shop has been secured in many skilled occupations, and employees must be able to produce their union card or badge when required. This exclusive policy is strengthened in some instances by limiting the number of apprentices to be employed, by demanding the full period of apprenticeship, by opposing the introduction of machinery which might break down the skilled men's monopoly, or by imposing stringent conditions and high fees for entrance to the union. When these last conditions prevail we get a closed shop and a closed union.

The trade union label has long been a subject of union activity. Its use enables a purchaser to distinguish between union-made goods, manufactured presumably under decent conditions of employment, and those made by non-union, child, sweated, or convict labour. It is an appeal to the conscience of the whole community, and the Federation of Labour does its utmost to persuade its members to purchase union products only. The label was first used by the cigar-makers in 1874; by 1907 it was protected under the trade-mark law of 43 states, and at present over 40 labels are in general use.

Friendly society work has not played so great a part in American as in British labour organizations, though since 1900 greater stress has been placed on the provision of benefits to meet sickness, old age, unemployment, etc. The Cigar Makers' Union led in this work, and now has strike, sickness, death, travelling, and unemployment provisions. At the same time, the older school of American unionists is strongly opposed to the introduction of compulsory wages regulation, national insurance, and old age provisions, such as exist in England and Germany. Such schemes are described as "social welfare taffy," which will neither remove nor prevent poverty, because they do not go down to the roots of social injustice; because they hand germs of power to the government, which will grow and eventually establish autocratic control over every aspect of the worker's life, so that when the government passes at any time into the hands of the enemies of labour the control will be used in a harmful manner. The whole policy of state interference is condemned, because it is based on the idea that the organized workers are unable to look after their own interests. In this attitude towards social legislation we see the strong individualistic tone, the reliance on voluntary institutions, and the demand for freedom of action which still characterize most American workers.

Difficulties and Opposition. In 1913 only about one in forty Americans was a member of a union, compared with one in fifteen in the United Kingdom. This seems a poor record after forty years' effort, but in order to examine it we must examine the chief difficulties and obstacles which have been encountered.

First and foremost is the opposition of the employers, which has been much stronger than any met with in Western Europe. Recognition was slowly granted, and in many important firms is still refused. The demand for the closed shop often induced the employer to close his shop—against

unionists. After the big coal strike of 1902 employers began to organize for mutual defence, and unions were soon met by strong employers' associations. Some of these bodies frankly recognize unionism, and collective bargaining operates through elaborate conciliation or arbitration machinery in some branches of industry. But most employers' associations, and also the big trusts, refuse to treat with labour organizations, and fight them at every point. Professor Hoxie enumerates twenty lines of attack used by employers, ranging from the blacklisting of unionist employees, the bribery of officials, and the use of spies, to the organization of rival "yellow" unions, the employment of strike-breakers, the control of the press and the government, appeals to the courts, attractive welfare schemes, etc. Under such conditions strikes almost inevitably produce violent scenes, provoked by the introduction of strike-breakers, police, and troops. The 1892 strike at Carnegie's works at Homestead was a typical encounter; Pinkerton's private police, 1,000 blacklegs, and 8,000 militia were called upon, and finally succeeded in breaking the strike. Nay, more, they broke the back of unionism in the iron and steel trades. From that time till 1918 unionism was dead in the industry, and Gary, head of the Steel Corporation, still refuses to grant recognition to any union officered by men who are not his own employees.

Second comes the opposition of the law. American law is still under the influence of the doctrines of individualism and *laissez-faire* which were fashionable when the American constitution was framed. As such it centres on the individual and ignores social groups; it places private property rights above personal and social rights; it assumes that the individual employer and the individual employee are on an equal footing in making a labour contract, and that free contract and free competition are very desirable. Hence it frowns on anything which is in restraint of trade or of personal liberty. Now unions can be regarded as acting in restraint of trade, and therefore under the common law and under the Sherman Anti-Trust Law of 1890 they might be condemned as illegal. They were partially exempted from the scope of the Sherman Act in 1906, but since they were still taking steps which interfered with the liberty of individuals—employers or employees—their position was legally weak. Their existence was lawful; but almost any action which they committed might be proved unlawful. They were, and are still, in much the same position as British unions after the Taff Vale decision; in the light of some judgments they seem to be almost where British unions were after 1825. Every judge in every court in every state is his own interpreter of the law; hence there is great uncertainty. The chief legal weapon used against unions has been the injunction; this is an order by a court of equity to prevent injury to property. In practice it can be used even to forbid the strike altogether, and as such it is a powerful weapon against labour organizations which refuse to relinquish the right to strike. The law, the police, and the troops play a big part in American labour disputes, and at almost every trade union convention resolutions are passed demanding the abolition of "government by injunction."

The third difficulty lies in the changing technique of industry. Unionism can best safeguard the advantages it has won when conditions of production are stable and unchanging. The arrival of new methods, machines, or ideas may so revolutionize production as to cut the ground from under the feet of labour organizations, especially those of skilled workers. American

industry during the last thirty years has been characterized by the coming of standardized large-scale production, carried on by means of automatic or semi-automatic machinery, with a minute sub-division of labour. Europe invented machinery, but America simplified its control, so that an unskilled or semi-skilled worker could easily be trained to feed and watch it. This development meant an end to the old many-sided skill acquired by long years of apprenticeship, and threatened to smash the monopoly of the craftsman, since almost any sort of labourer could now take charge of the work.

The "any sort of labourer" came at the same time as the machine, first as an immigrant from Eastern Europe, and more recently as a negro from the southern states. Until about 1880 immigration was confined chiefly to people from the United Kingdom, Germany, and the Scandinavian countries. These brought a degree of skill and a standard of living not much below that of the native American, and were therefore quickly assimilated and Americanized. After 1880 this stream of "desirables" decreased in volume, and a new one began to flow, thanks largely to cheap passage rates, from Austria, Hungary, Russia, Poland, Italy, and the Balkans. The new immigrants herded together in new or old cities, and there retained the standard of life to which they had formerly been accustomed. Wages which to the American were sweated rates, to them seemed untold wealth; hours and conditions which the old population would not tolerate were to them idyllic. Here then was the labour force required for the new machinery, and it was absorbed in mine, factory, and steelworks as quickly as it arrived. Here also was a terrible problem for the old craft unions. Difficulties of language—there were fourteen different nationalities in the Pennsylvania coal mines in 1898—made organization of the new arrivals difficult, especially as unionism was almost unknown in the lands from which they came. The Federation of Labour made little effort to organize these unskilled workers, and the attempts of the I.W.W. to enrol them met with spasmodic success. When the war stopped the flow of immigration American employers had to look elsewhere for their supply of new labour, and found it in the negro population of the cotton states. Up to 1916 negroes who went north had been socially ostracized, and had been confined to certain kinds of employment, such as domestic service. In 1916 agents went south and began to enlist negroes in thousands, in much the same way as poor-law children were enrolled a century before for the cotton factories of Lancashire. In the north the negro did railroad work at first, but soon began to get into the factories. By the end of 1917 at least 500,000 were employed in various industries, and at times attempts to use them as strike-breakers caused riots and lynchings. Soon the negroes expressed a desire to enter the unions, but the Federation refused this, and some active spirits therefore organized negro unions of their own. Eventually, in June, 1919, the Federation accepted the inevitable, and opened its doors unconditionally to the entry of negro workers into the white men's unions.

Since the early nineties, when F. W. Taylor began to preach scientific management, American unions have waged relentless war on the Taylor creed, especially its advocacy of time and motion studies and premium bonus plans of payment. In 1914 the Government appointed a special commission, headed by Professor Hoxie, to inquire into the whole relationship between scientific management and labour conditions, and the investigations of this commission revealed clearly the reasons for labour antagonism to new

ideas of management. In this matter American unionism is in effect fighting a defensive struggle for the preservation of the skilled craftsman, collective bargaining, and standard rates of payment. The unionists maintain that time and motion studies are unscientific, especially in so far as they make inadequate or guesswork allowances for differences between workers; they object to developments which would cut up the task now discharged by one skilled man and distribute it amongst a number of specialized human automata; they assert that the scientific management appeal is to the individual desire for large earnings, and thus it breaks down the idea of a standard rate of payment and standard conditions of employment; further, they point out that it transfers the determination of wages and conditions from the field of collective bargaining to the hands of the autocratic manager or time-study expert, and as such destroys any semblance of industrial democracy. The whole scheme is, in short, a cunningly-devised plan for speeding-up and sweating, aiming at increased production and bigger profits, and at reducing the great body of workers to a little-skilled, practically interchangeable and unorganized mass, devoid of any feeling of mutual interest or united action. The craft unions endorse the verdict of Professor Hoxie when he declares that "scientific management, properly applied, normally functioning, should it become universal, would spell the doom of effective unionism as it exists to-day." Whether a compromise will be reached, by which the unions will gain some control over the studies on which scientific management rests, remains to be seen. The alternative to that is that unionism should spread its cloak over the many millions of still unorganized workers; otherwise it will be too weak either to prevent or control the spread of these efficiency methods over the greater part of the American industrial field.

Recent Developments. During the last ten years, and especially since 1914, important changes have come over the face of American unionism. The I.W.W., established in 1905 as a revolt against the narrow conservative business policy of the Federation of Labour, set out to unite the workers of America in one big revolutionary union. It soon, however, discovered valuable work nearer to hand in attempting to organize the unskilled aliens from Eastern Europe. Its successful fight in the Lawrence textile strike of 1912 brought it great fame, but since that time its numerical growth has not been proportionate to the noise which it makes or the fear in which it is held by public opinion.

But whilst revolutionary ideas have failed to receive any big body of support in the I.W.W., the Federation of Labour itself has become imbued with more radical ideas than those preached by Gompers and the old school. The unions comprising the Federation contain an increasing number of men who regard their organizations not merely as institutions for improving industrial conditions inside the capitalist system, but also as bodies which can play an important part in reconstructing society. Hence convention after convention has witnessed a growing socialistic section of thought amongst the younger unionists, and although Gompers has retained his position as president, his ideas have been defeated on numerous occasions. For instance, industrial unions with semi-revolutionary aims have been admitted into the Federation; the 1917 Convention decided to form a political labour party; that of 1918 decided to challenge the Steel Corporation's refusal to recognize unionism by making a vigorous effort to organize steel workers. In 1920 the Montreal Convention, representing over

4,000,000 affiliated unionists, decided by a large majority in favour of the government ownership of railways, in spite of the strong opposition of the executive.

When America entered the war the heads of the American Federation threw themselves into the war work with great zest, and Gompers was appointed labour advisor to the government. Agreements made with the government and with employers provided for the complete recognition of unionism and collective bargaining, settlement of all disputes by arbitration, and the maintenance of trade union standard rates. The scarcity of labour and the increase in the cost of living made it necessary to grant large increases in wages, and in eight leading industries average hourly earnings increased during 1914-1919 between 74 per cent. and 112 per cent.

The Armistice was, however, the signal for a revival of the old struggles, with increased intensity. Ideas from Russia, along with the alleged conservatism of the labour leaders, were responsible for numerous big strikes, which were started and carried on in defiance of union executives. The years 1919 and 1920 were marked by widespread industrial disturbances, to cope with which the Federal Government called an industrial conference in the hope of discovering some way to industrial peace. This conference met late in 1919, and contained representatives of labour, capital, and the public. It broke down completely, however, when the employers' representatives refused to recognize "the right of wage-earners to organize without discrimination, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labour, and relations and conditions of employment." This refusal was quite in keeping with the policy of the Steel Corporation, the head of which declared his uncompromising hostility to any recognition of unions or acceptance of the closed shop idea.

Books Recommended. Coman, K., "Industrial History of the United States"; Carlton, F. T., "History and Problems of Organized Labour in the United States"; Ashley, W. J., "The Adjustment of Wages"; Brissenden, P. F., "History of the I.W.W."; Laidler, H. W., "Boycotts and the Labour Struggle"; Hoxie, R. F., "Trade Unionism in the United States," and "Scientific Management and Labour."

CHAPTER XVI.

TRADE UNIONISM IN AUSTRALIA.

Introduction. The history of Australian trade unionism presents few novel features, and in all essentials except one—that of method—the movement has added little to union theory or practice. If we examine the structure, we find that until quite recent years local craft unions held the field, and only since 1900 has there been any trend towards federal amalgamations or the erection of big industrial unions. No successful attempt has been made to create anything equal to the British Trade Union Congress, the American Federation of Labour, or the German General Commission of Trade Unions. In aim, Australian unions are predominantly "business" bodies, striving for better wages, shorter hours, and the "closed shop." Only when we turn to method do we find conditions different from those of Europe or America. Until 1890 Australian unions trod the ordinary track of collective bargaining, conciliation, and strikes. But the industrial warfare of 1890 ended disastrously for the strikers, and the nineties, therefore, saw a swing from industrial to political methods. The regulation of industrial conditions became a matter for state action; wages boards and arbitration courts were gradually established, and trade unionists turned to the state to obtain for them those benefits which in other lands were sought by collective bargaining and strikes. But partly in order to influence state policy, and partly because of the growing acceptance of radical or mildly socialist ideas, labour set to work to build up a strong political party and to capture the reigns of government, both state and federal. The Australian Labour Party is essentially a trade union product drawing the bulk of its funds and most of its leaders from the industrial organizations. Hence, since the nineties, the struggle between capital and labour has been fought chiefly on the floor of parliament, in the wages board room, or before an arbitration court judge. But this removal of the field of action failed to bring that satisfaction which had been anticipated, and after 1916, when the conscription issue tore the political and industrial labour movements in two, thus weakening seriously the political arm, some large sections of labour lost faith in the old machinery and have turned their attention once more to industrial methods.

The growth of labour organization has been made easy because of several favourable circumstances. (1) The disintegrating forces which were responsible for the formation of rival unions in European countries have been absent. (2) The problem of coloured labour was dealt with at an early stage, and the White Australia policy put an end to any fear of a further influx of Orientals. At the same time the volume and quality of immigration has not been such as to endanger labour standards. The distance from Europe has prevented that flood-tide of immigration which swept to America, and has especially prevented a big influx of people from Eastern and South-eastern Europe. Hence immigrants have come in comparatively small numbers, and have been drawn from the more advanced European areas where trade unionism was well known; therefore the new

arrivals could easily be merged into the body of organized labour. At the same time, there has seldom been any great over-supply of labour, and so the unions have been in a strong position when bargaining with the employer. (3) The democratic atmosphere has made it easy for labour to influence polities and get its ideas accepted by parliament. Thanks to these conditions, the movement has progressed rapidly, especially since 1900, and in 1919 there were 628,000 unionists out of a total population of 5,250,000.

The history of Australian unionism can be divided into three epochs. The first ranges from the establishment of Sydney in 1788 to the gold discoveries of 1851. It is a period of small beginnings, with organization limited to the free workers who were catering for the primitive requirements of the infant settlements. The second epoch extends from the gold rush to the industrial disturbances of 1890-4. Gold attracted to the country large numbers of free labourers, many of whom failed on the gold diggings, and were therefore compelled to turn to other avenues of employment. Gold mining became capitalized, new industries were established, transport facilities developed, and the pastoral industry created a large demand for seasonal workers at shearing-time. As these new occupations grew larger and more capitalist in character, the division between employer and employee widened; good land became more difficult to secure, and so all the conditions favourable to the formation of unions emerged. Hence by 1890 unionism had extended over almost the whole field of employment. Organization was of the local and craft type. Union aims were the ordinary business aims. The methods were collective bargaining, strikes, and some friendly society work. Of political activity there was little. The third epoch extends from the industrial disputes and general depression of the early nineties up to the present day. It is marked by a large increase in union membership, by the federation or amalgamation of local unions, by the beginnings of industrial unionism, and by the substitution of political for industrial methods.

Early History. In 1822 a convict servant was sentenced at Liverpool (N.S.W.) to bread and water for a month, 500 lashes, and penal servitude for life for having incited his master's servants to combine in order to demand increased wages and rations. Two years later some free labourers, coopers by trade, were accused of having made "a combination and conspiracy against their employers' interests"; but permanent organizations do not appear till about 1840. During the forties many newcomers brought with them the ideas of British unionism or Chartism, Irish discontent, and European radicalism, and several unions were formed—*e.g.*, among Adelaide tailors and bootmakers in 1846. On top of these came the gold-hunters, men of all sorts and conditions, and in many cases excellent raw material for labour or political organization. Even before the gold rush, the separation of Victoria from New South Wales in 1850 created a big demand for buildings in Melbourne, and when the diggings were opened up in the following year the population of Sydney and Melbourne increased rapidly. Out of this building boom came the Operative Masons' Society in Melbourne (1850), and unions of stonemasons, carpenters and joiners, plasterers, and bricklayers were formed by 1858. The printers of Melbourne formed a Typographical Association in 1857, and a number of engineers formed the first overseas branch of the Amalgamated Society of Engineers in Sydney in 1852.

Early Aims—The Eight-Hour Movement. These first unions had little need to worry about wages, for the attraction of the goldfields was so great that employers were compelled to pay high rates in order to keep any workmen. Wages in Melbourne increased generally from 6/- or 8/- a day in 1850 to 25/- or even 40/- in 1854. When the boom subsided wages were still, in 1858, about 50 to 75 per cent. above the old level. True these high rates were counterbalanced to some extent by high rents and prices, but even then wages were good. It was estimated in 1857 that while wages were four times those paid in Britain, the cost of living was only double the British rate.

Unions therefore turned their attention at first almost entirely to reducing the hours of labour, and the eight-hour day become the central aim of all labour bodies. The demand was by no means new. Robert Owen had preached it twenty years before; Dunedin (N.Z.) was built in 1848 on the basis of an eight-hour working day, and in America the idea had many adherents. But it remained for the early Australian unions to secure full recognition for the principle. The demand for houses, etc, had driven employers to exact a ten- or twelve-hour day, but in 1855 the Stonemasons' Society of Sydney demanded, and after a strike secured, the eight-hour maximum. In the following year all the building workers of Melbourne secured the same time-limit, and inaugurated the annual celebration of their victory in that year. In Queensland (1858) and South Australia (1873) the building trades led the way; in Tasmania the shipwrights were the first to voice the demand (1874), but in Western Australia the eight-hour system was not introduced until 1896.

Miners and Chinese. The first phase was marked by organization in the building trade and the eight-hour demand. The second, which stretched from about 1860 to 1880, saw unionism spread over a wider field and expand its aims. After 1860 the gold fever subsided, and gold-mining became a more capitalistic industry, thanks to the need for deep digging and machinery. The old type of independent miner gave place therefore to the mining company, employing a number of wage-earners. At the same time coal-mining become more important, the pastoral industries got into their stride, a few manufactures sprang up in the towns, and the number of coastal boats increased. Meanwhile new problems had to be faced by the wage-earners. Wages were sinking far below the boom level of the fifties. Legislation was needed to regulate the new mines and factories, and thus kill at birth the growth of conditions similar to those prevailing in the early British factories. Above all, something must be done to check the flood of Chinese which had been sweeping over the country since 1852. There were 28,000 Chinese in Victoria and New South Wales in 1861.

These problems first became pressing in the gold mines of Victoria, and were responsible for the formation of the Amalgamated Miners' Association in 1874. In these mines a ten-hour shift prevailed, provisions for ventilation and precautions against accident were lacking, wages were low, and many Chinese were employed. The miners' union at once set out to get conditions improved by legislative effort, and an Act of 1877 provided for an eight-hour shift, improved ventilation, and inspection of machinery. A series of successful strikes cleared the Asiatics out of the industry, the A.M.A. persuaded the Victorian Mines Department to insert a clause in new mining leases forbidding the employment of Chinese, and as restrictions

on immigration grew more effective the competition of coloured labour lost its edge.

The A.M.A. was the first big ambitious union in Australia. For a time it succeeded in merging all sorts of miners into one body, and in 1883 had a membership of 23,500. When Broken Hill was opened up in 1883-1885 the association succeeded in organizing the employees there in face of black lists and boycotts of union leaders. At an early stage it realized the adhesive properties of friendly society benefits, and therefore took over an accident benefit scheme formerly worked by the employers, thus securing a strong lever to compel men to come into the union. The friendly society work grew in size, and undoubtedly tended to keep up the membership and lessen the opposition of the employers. On the other hand, it hampered the distinctly union work of the organization, since many members came to look on their union as a friendly society only, and opposed any strike lest it should deplete the provident fund. Like the "old unionism" of England, the association kept aloof from political action, and relied upon conciliation and collective bargaining. During the eighties conferences between the mine-owners and union representatives were frequent, and many disputes, especially concerning wages, were settled peacefully, both sides abiding loyally by the agreement.

Up to 1885 the miners were almost the only organized workers outside the capital towns. The steady growth of the capitals and the general atmosphere of prosperity from 1870 to 1885 were responsible for the rise of many metropolitan unions during the period. The Seamen's Union came into being in 1874; painters and decorators, plumbers, meat-workers, boot-makers, printers, railway workers, boilermakers, tanners, shipwrights, bakers, wharf labourers, etc., all were organized by 1885. In 1882 the tailoresses of Melbourne formed the first women's union in Australia, and by a strike in the same year revealed to the world that they had been working for fourteen to sixteen hours a day under the worst conditions of out-work for an average wage of 11/- a week. By 1885 there were about 100 unions in the continent, with an estimated membership of 50,000.

Inter-colonial Action. The isolation of the various colonies was still so great that there was little inter-colonial organization. The A.M.A. ideal of one union for miners in all the states had not been fully realized. The seamen worked with a large degree of unity, but in most other occupations there was a separate union for each craft in each state. Still, in spite of all craft prejudices and geographical obstacles, the seventies and eighties witnessed the growth of a sense of community of interests, at first local and later inter-state. The first Trades Council was formed in Melbourne as early as 1856, but did little until 1879. The Sydney Trades Council came into being in 1871, and the example was followed by the other states some years later. These councils focussed interest on certain central issues, and helped to create a sense of solidarity. From this to inter-colonial action was a natural step; the first Australian conference of trade unions was held in Sydney in 1879, and was followed by similar meetings in 1884, 1885, 1886, 1888, 1889, and 1891. At these gatherings there was much discussion on labour legislation, such as factory acts, workmen's compensation, and uniform shipping laws. The immigration of Chinese was condemned, as was also the expenditure of public money on assisted immigration. The eight-hour day, the legalization of trade unions, co-operation, technical education, protection, "one man one vote," payment

of members, all appeared on the agenda papers. But the most important feature of these meetings was the growing stress laid on the federation or amalgamation of kindred unions. At Brisbane in 1888 this matter was dealt with at great length. Some delegates favoured the formation of one big union, similar to the Knights of Labour. But this idea was too revolutionary for the bulk of the delegates, who favoured inter-colonial federations instead.

Through the successive conferences one notes the growth of a belief in the need for direct Labour representation in parliament. Most of the unions had followed the British precedent of leaving politics alone, but had expressed opinions on such proposals as affected the political or economic condition of the wage-earner. It was not until the Brisbane conference of 1888 that socialist doctrines were definitely put forth. At that meeting it became evident that socialist literature, the works of Henry George, and the writings of the Queensland journalist, William Lane, had gained many converts among the younger unionists, and the shadow of coming political activity was thrown ahead.

One vexed question of the period was the legal position of the unions. In the days before the coming of self-government unions were subject to British laws, and thus came under the provisions of the acts of 1824 and 1825, which had declared unionism to be not illegal. After self-government, however, nothing was done by the new parliaments to define more clearly the status of the unions, who were therefore still under these old acts. The position was intolerable, and the unions therefore demanded that the law should be revised so as to bring it abreast of later British legislation. South Australia was first to move, and in 1876 its Trade Union Act, based on the British Act of 1871, placed the unions of that state in the same position as the English societies. In the other colonies the same rights were granted sooner or later: the unionists of Victoria had to wait till 1884, those of Queensland till 1886, those of Tasmania till 1889, and those of West Australia till 1902. These acts were not passed without strong opposition, and in Victoria the Legislative Council strove hard to retain the "master and servant" attitude and the restraints on freedom of organization. Finally, however, legislation recognized the unions as legal bodies, capable, provided they had properly registered themselves, of holding property and suing defaulters in the law courts. In Australia, as in England, the legal position was doomed to be fogged on subsequent occasions.

Shearers' Unions. The unions already referred to covered industries in which the wage-earner might hope to find employment in one place all the year round. Under such conditions organization is fairly easy, since the workman has a settled home and a regular income. When we turn to the bush we encounter in shearing an occupation which is only seasonal, and which involves a great amount of travel from station to station. As the sheep industry grew larger it relied more and more upon securing a plentiful supply of workers for the shearing months. Many men, therefore, would work on the mines, in some metropolitan occupation, or on the land, for six months in the year, and then spend another six months in the shearing sheds of the backblocks. One might suppose that it would be impossible to organize such birds of passage into any permanent union; yet one of the strongest unions in Australia to-day—the Australian Workers' Union—was built or a foundation of shearers.

Organization amongst shearers began with an attempt to prevent conditions in that occupation from getting worse. The conditions of employment in shearing sheds were laid down in the agreement which each shearer had to sign before obtaining a "pen" on any station. There was every variety between extreme harshness and generosity in these conditions, for whilst some squatters were reasonable in their terms, others gave full play to miserliness and exploitation, and pushed the terms of the contract to a point which made the shearer little more than a temporary slave. Arbitrary and heavy fines were imposed for alleged bad workmanship or even bad language. Food often had to be bought at the station store, where prices were sometimes exorbitant. Sleeping and eating accommodation were usually primitive. The shearer's work was skilled and strenuous: it was performed in a hot atmosphere laden with foul smells; it entailed long journeys on foot or horse from shed to shed, and yet at the end of it all the shearer might find himself beaten by the penalizing terms of the agreement, with his earnings swallowed up in fines, deductions, and dear food.

Custom, however, makes men tolerate all manner of unpleasantness, and many early efforts to organize with a view to securing better conditions failed. But in 1886 nineteen pastoralists, in whose runs shearing began early in the season, announced that the piece-rate would be fixed at 17/6 a hundred sheep, with a 2/6 fine for faulty work. This was a reduction of half-a-crown on the rate previously paid by these men, and had the unexpected result of driving the shearers to organize. A number of Victorian miners who used to go shearing sought the assistance of Mr. W. G. Spence, the secretary of the A.M.A., and he at once threw himself into the new work of organizing the shearers. The Amalgamated Shearers' Union (A.S.U.) was formed, organizers were sent out, and within a year 9,000 members were enrolled. In the same year the Queensland shearers formed a union of their own, and the labourers and permanent station workers of the same state were organized a little later. In the southern states the A.S.U. organized the labourers in a separate body (1890), but this union was merged into the A.S.U. in 1894, when the name was changed to Australian Workers' Union (A.W.U.). Ten years later the Queensland union came into the southern body, thus forming one union for the whole continent. The policy of the shearers' organization was at first conciliatory. A standard union agreement was framed, and the officials endeavoured to persuade pastoralists, either individually or in conference, to accept this agreement. Some conferences took place; organizers interviewed squatters, and, failing to get their consent, tried to induce individual shearers to insist on the use of the union form of contract and join the union. There were some rebuffs, and many strikes; but on the whole the first three years were highly successful from the union's point of view. In 1887 500 sheds "shore union," and the A.S.U. had 16,000 members. In 1889 2,400 sheds in New South Wales, Victoria, and South Australia worked under the union agreement. The shearing rates stood at about £1 per hundred, and the piece-rate generally was fixed by conference rather than by a strike.

The Growth of Conciliation. A study of Australian unionism during the eighties leaves one with the impression that the strike and lock-out were steadily becoming obsolete weapons, and that industrial disputes would soon be settled entirely by peaceful discussion. There were, of course, many strikes, some of which lasted for months. New unions might find it necessary to cease work in order to secure recognition, and old unions had

battles to fight. But conciliation was in the air, and the area of industry controlled by joint agreements between employers and employees was steadily extended.

Employers, employees, and onlookers began to study the working of conciliation boards in England, France, and elsewhere, and then urged that Australia might with advantage take to heart the lessons taught by experience in other lands. As early as 1882 Mr. Dibbs proposed to the Sydney Trades and Labour Council the establishment of a "Council of Wise Men" to deal with disputes. This council was to consist of six representatives of each side, with an independent chairman. It was to meet once a month, and whenever a dispute arose. There was to be no stoppage of work pending discussion of the trouble, and the council's decision was to be accepted as final. The proposal, however, remained a proposal. In the following year a Victorian royal commission, which enquired into the conditions of employment in shops, decided in favour of the establishment of courts of conciliation. It placed its proposals before the trade unions and manufacturers, with satisfactory results, and finally urged the passage of an act to establish a permanent central conciliation body in Melbourne, with local bodies in the various industrial and commercial districts.

In 1884 the Steamship Owners' Association of Australasia, which represented the New South Wales and Queensland companies, met the Federated Seamen's Union in conference. An agreement was signed, fixing rates of wages, and establishing a board of conciliation to deal with all suggested alterations in wages, hours, duties, discipline, etc. The decision of the board was to be final, and accepted by both parties. The arrangement was repudiated by the owners in 1886 because the seamen refused to allow a dispute concerning work on Eight Hours Day to go before the board; but the two parties, nevertheless, met in conference again in 1886, 1888, and on the eve of the '90 strike.

The mine-owners and miners of Newcastle in 1888 agreed that all small disputes should be discussed by a representative of each side in the colliery affected, and that larger issues should be submitted to a referee appointed annually by the Chief Justice. The arrangement was fair and comprehensive, and like many other agreements of its kind worked well until the issue of the maritime trouble crashed in upon it. The Employers' Union and the Melbourne Trades Hall Council in 1887 agreed to form a Board of Conciliation to deal with all the industries represented by the two bodies, and the formation of a similar board in Sydney was discussed.

Meanwhile such unions as the A.M.A. and the A.S.U. were constantly in correspondence or conference with the employers. During the eighteen years prior to 1890 the A.M.A. had only 37 stoppages of work, of which 13 were to resist reductions in wages, and 13 due to some employer's refusal to recognize the union. Conciliation was the rule, strife very infrequent, and in 1886 a permanent conciliation board was established. Similarly the shearers made surprising strides in securing peaceful settlements. During the first three years of its existence the A.S.U. had 3,180 strikes, ranging in length from half-an-hour to eight weeks, at the various sheds of south-east Australia. But the union policy was to endeavour to get the squatters to discuss conditions, rules, etc., at least a year before putting the rules into force. This discussion might be between the union organizer and the individual pastoralist, or between the representatives of the union and those of

the squatters as a body. Between 1887 and the '90 strike nine proper conferences were held, at six of which definite decisions were reached.

The above facts indicate the trend of union methods right up to the eve of the strike. Agreements were made, and kept. Politicians strove to foster the conciliation spirit, and in Victoria and New South Wales bills were introduced to provide for the establishment of central and local boards of conciliation and arbitration under the wing of the government. The Sydney bill (1887) provided means by which a decision could, with the consent of the parties concerned, be made a ruling of the Supreme Court, and any violation punished by heavy fines. The Victorian measure intended to make any wilful refusal to obey awards a misdemeanour, punishable by fine or imprisonment.

Causes of Strife. Then came the change, and in order to understand it we must first analyse the influences which predisposed capital and labour alike to risk conflict. In the first place, there arose a new belief in the value of strikes for getting what one wants. An eight days' strike at Broken Hill in 1889 was so successful that the mine managers not only consented to employ none but unionists, but also agreed to collect the dues for the union by deducting them from the men's earnings. This victory came just after the London dock strike; the stand made by the London dockers aroused intense enthusiasm amongst Australian workers generally; over £30,000 was cabled off to the London strike funds; and the victory of the ragged army of low-paid unskilled men made a deep impression on the minds of those who might be dissatisfied with the gains secured by conciliation.

The strike seemed to be an effective weapon. But for what should this weapon be used? One answer to that question was to be found in the atmosphere of social reform or revolution pervading the country. Men everywhere were absorbing George, Morris, Bellamy, and snatches of Marx. They were seeing visions of a new heaven brought down to earth via the single tax or the social revolution. In the trade unions these new doctrines were widely held, and when men have become enamoured with the idea of the reconstruction of society they are well disposed towards a quarrel with the employer.

It was not, however, any high-falutin' talk of Utopia which provided the bone of contention between capital and labour. The trouble arose from disputes, not concerning wages, but centring on the acceptance by the employers of certain trade union principles. The A.S.U. declared that no unionist should shear alongside a non-member, and presented squatters with the alternatives of non-union or all-union labour. This demand for a union monopoly over the shearing sheds was a matter of principle, next in importance after "recognition," and in this respect was on a very different plane from any demand for higher wages or better conditions. It was defended on the usual grounds that since the union had secured better terms for the shearer no man should enjoy those benefits unless he paid his share to maintain the union which had fought for them. Further, if non-unionists were employed in any large numbers, they might, by accepting lower rates, destroy the standard rate and conditions for which the union had striven.

To the squatter the demand for a boycott of non-union labour was a preposterous attempt to interfere with his right to employ whomsoever he chose. He, and 90 per cent. of his fellow-squatters in New South Wales, had swallowed the union and its rules, and in 1890 were going to "shear union."

But to rule out the non-unionist completely from the industry, and to do so by threatening to block the shipping of non-union wool was "going a bit too far"; it was tantamount to taking charge of the shearing sheds; it was tyrannical. So thought many squatters. Looking back to-day on the events of the period, one feels that the A.S.U., intoxicated by its immense success during 1886-9, lost its head and tried to go too fast. It was dealing with the country's chief export industry, with a body of men accustomed to have their own way during many decades, and with a commodity the price of which had declined rapidly during the eighties. Probably no union has ever over-run a big rural industry so quickly before, and another two or three years' quiet work would have yielded far better returns than could be obtained by presenting the blunderbuss in 1890.

If the "closed shed" was an obnoxious novelty to many squatters, the idea of a marine officer in the Trades Hall was equally so to the shipowner. The officers of the inter-colonial and coastal boats had formed an association in 1889—an act to which the shipowners took no objection. But when it was learnt that the Melbourne branch had affiliated to the Trades Hall the employers became annoyed, and refused to grant certain concessions asked for unless the affiliation was withdrawn and never again meditated. The owners' objection to affiliation was that if the officers' union was connected with any outside body, it might be entangled in affairs which would relax the discipline on board ship. To the officers and other unionists these objections seemed a cloak to conceal the real motive—*i.e.*, the desire to restrict the freedom of action of the officers' union. This was regarded by the officers as an unjustifiable attack on a trade union principle, and it was the officers who fired the first shot in the strike.

Organization Amongst Employers. While trade unionism was presenting fresh principles for acceptance, the employers were not idle. Here, as in other lands, organization had called forth counter-organization. In almost every industry the employers formed an association, and these sectional bodies affiliated in an Employers' Union. The Victorian Employers' Union, formed in 1886, soon had 500 firms enrolled, representing 75 different industries. It had an indemnity insurance system for mutually protecting employers against the financial consequences of the action of employees. One of the first acts of this union was to join with the Trades Hall in establishing a conciliation board. The Employers' Union of New South Wales came into existence in 1888, and its object was "to secure to its members all the advantages of unanimity of action now enjoyed by the various trade unions." The pastoralists had their district associations and a central Pastoralists' Union; the mine- and ship-owners were all organized.

These associations were formed to deal with matters of general interest to each industry, but some of them had been called into existence by the need for presenting a united front to labour, and during the critical years their work was largely concerned with labour difficulties. The conciliation schemes already described were accepted by the employers' unions as fully as by the men's, but as the flood of demands—either for more wages or for the admission of some new principle—rose higher during 1890, one can understand why some of the employers' organizations grew stubborn. Take for instance the demands made by the maritime unions of Sydney during 1890. Early in the year the wharf labourers presented a new set of rules, and asked for a conference with the shipowners' union. The new rules contained many highly debateable points, but after months of intermittent

discussion a compromise was reached late in June. No sooner were the wharf labourers dealt with than the seamen submitted new rules and asked for a conference. Several meetings were held, but on one point the companies would not budge, so the seamen decided to hold a ballot to see if members were in favour of a strike on that one issue. On top of this came demands from the officers and engineers for higher pay and reduced hours; then on August 9 the wharf labourers announced that they would not handle non-union wool. If the owners stiffened their backs and determined to fight for freedom from further union control one cannot be surprised.

To the employer, as to the trade unionist, a principle was at stake in all the negotiations which preceded the outbreak of the strike. The trade unionist demanded recognition and the closed shop or shed. The employer demanded "freedom of contract." At first vague in meaning, the phrase quickly acquired definition, and was generally translated as follows: The right to employ any man, without asking whether he is a unionist or not; the right to make such terms of contract with him as are mutually agreed upon; the right to dismiss him without giving any reason to an outside body. To the workman such freedom meant the right to join or keep out of a union as he pleased; the right to seek and take any job for which he was fitted, and the right to retain it free from any molestation or intimidation by union members. The phrase was thus a flat contradiction to the men's demand for a closed shop; as the strike developed, men who had accepted the union and employed only unionists took their chance and reverted to freedom of contract. When the strike was over, and the men were defeated, the phrase was translated by some as "No employment for unionists."

The Strike of 1890. The first stage of the encounter was fought out in Queensland. Here the squatters on the Darling Downs had resolved not to employ any unionists, and the Australian Labour Federation (the Queensland equivalent to a Trades and Labour Council) called upon the waterside workers to refuse to handle any non-union wool. Hence when the bales from the Jondaryan station reached Brisbane for shipment the wharf labourers declined to touch them. This action brought the squatters speedily to terms; an agreement was drafted, the wool loaded, and the A.L.F. paid the shipping company £75 compensation for the delay to the steamer.

This was in May, 1890. Within the next two months shearing would get into full swing in New South Wales. The A.S.U. had been hard at work, and of 2,800 sheds in that colony all but 400 were "shearing union." These 400 were chiefly located in the Hunter River, Liverpool Plains, and New England districts, and would be responsible for 50,000 bales of wool. Most of their owners had made their agreements with individual shearers, when in June Mr. Spence in a speech at Young threw out a broad hint that non-union wool in New South Wales might meet with the same reception as in Queensland. This speech was followed a month later by the issue of a manifesto (July 12), sent from the A.S.U. offices in Creswick (Vic.), and addressed "To all who desire to see the wealth-producer receive his just share of production." The document stated that for four years the squatters had been doing their utmost to kill the shearers' union, and that a movement was now beginning for a grand effort to crush out of existence all organization amongst working men, beginning with the A.S.U. An injury to one is an injury to all, and the unionists of Australia were therefore urged "to assist by giving such co-operation as circumstances may suggest, and to draw such a cordon of unionism around the Australian

continent as will effectually prevent a bale of wool leaving, unless shorn by union shearers.'' Two days later a circular was sent from Creswick to the pastoralists of the south-eastern states stating that the wharf labourers' and stevedores' unions had resolved not to handle non-union wool, that the seamen would not man vessels carrying such wool, and that the London dockers had been cabled to, asking them to block any non-union wool which might slip through the Australian cordon.

All these utterances were intended to frighten into submission the few squatters who still defied the union. Spence and his fellows did not intend or expect a strike; they were confident that the squatters who had accepted the union would persuade the rest to come in. They certainly succeeded in stirring up the pastoralists, for the Pastoralists' Union of New South Wales came to life, and in the non-union districts meetings were held to consider a line of action. At one of these meetings, held at Scone, it was resolved to ask that shearing should be allowed to proceed for that year under the agreements, union or non-union, already made with the shearers, provided that the squatters pledged themselves in writing to accept the present A.S.U. agreements next year and for five years thereafter. This offer, repeated in substance by the Pastoralists' Union, was forwarded to Spence, who replied that the proposal could not be entertained. Let the non-union squatters turn their agreements into union agreements for this year; then the whole thing could be discussed before the next shearing-time came along. Here was a deadlock, and as neither side would budge, in spite of one or two conferences, the situation was left to drift till the middle of August. On August 8 the wharf labourers' union, which in June had made a twelve months' agreement with the shipowners, wrote to state that no non-union wool would be handled, and the employers thereupon replied that they had now no alternative but to make their own arrangements for labour, and would do so regardless of whether the labour was union or not. Spence went to Sydney and secured promises of support from the seamen, wharf labourers, cooks and stewards, and the Newcastle miners. A Labour Defence Committee was formed by gathering together representatives of the various unions concerned, and this committee met daily. The situation thus hardened, and both sides grew more determined to stand firm. Still there was no actual outbreak of hostilities; non-union wool arrived in Sydney, but was not put forward for loading, and as the only ships likely to be affected were those which carried wool—*i.e.*, the overseas vessels—there was still a possibility that some compromise might be found.

Then the match was struck by the marine officers, and in a few days the conflagration spread like a bush fire. As explained above, the officers' union was requesting certain concessions of increased pay, and in the course of the discussion the shipowners learnt officially that the officers were affiliated to the Melbourne Trades Hall Council. This information brought forth the demand that the affiliation should be withdrawn, and that in the interests of discipline the officers should renounce any claim to affiliation with any other labour body. On the question of salaries agreement might be reached, but all idea of affiliation must first be renounced. The officers regarded this as an attempt to limit their freedom of corporate action, refused the demand, and on August 16 left their ships in Sydney. The stand taken by the officers was supported by all the maritime unions except the marine engineers, and when a boat manned by makeshift officers tried to sail from Sydney on the 18th the wharf labourers, seamen, cooks, and stewards

all came out. The employers at once advertised for labourers and crew; a scratch team was secured, and, thanks to the action of the engineers, was able to make its way to Newcastle for coal. On its arrival some of the miners at the pit from which the coal was to be supplied, "downed tools." The mine owners regarded this as a breach of the 1888 agreement, and as the miners had intimated their intention of standing by the Sydney strikers the owners closed down the whole of the mines. Thus the trouble spread, and by the beginning of September had affected all the Australian states and involved New Zealand. An Inter-colonial Conference was assembled in Sydney, containing representatives from Melbourne, Adelaide, Brisbane, Broken Hill, and Sydney.

With the strike in full swing, the temper on each side grew harder. A free labour bureau was established in Sydney, and men who took work were promised permanent jobs. The Sydney and Melbourne shipowners met in conference at Albury on August 3, and determined to carry on their business "clear of these tyrannical labour organizations." The stevedores posted a notice on the wharves intimating "that for the future all men working for us will be expected to do such work on such terms and arrangements as may be required by us." On September 10 to 13 an inter-colonial conference of employers gathered in Sydney, reaffirmed in the strongest terms the principle of freedom of contract, denied the right of marine officers to affiliate with other bodies, and then, with delightful inconsistency, resolved "that it is desirable to encourage employers to join existing employers' unions, and form other unions where necessary for mutual protection and defence; that such unions form federal councils for each colony, and that all such federal councils be affiliated and confederated."

Meanwhile on the labour side a surprising sense of solidarity was manifested, and the Defence Committee had the utmost difficulty in preventing such bodies as the butchers' and gasworkers' unions from coming out. Nearly 30,000 men were on strike in the different colonies, and those who remained at work subscribed liberally to the strike funds. But money was scarce, and by the end of the first week in September it became evident that the men were in danger of being defeated. Volunteers had rallied up, and some trade was going on. The Melbourne Trades Hall Council on September 11 approached Mr. Andrew Lyall, a Melbourne accountant, stating that Melbourne was willing to call the strike "off," to allow unionists and non-unionists to work together, and to submit all the questions at issue to direct negotiations, or, failing a settlement that way, to a board of conciliation appointed by the executives of the employers' and employees' organizations in the two states.

Sydney, however, refused to support the Melbourne proposal, for it had already planned a big strategic move. Efforts by the Defence Committee, by the Lord Mayor, and even by the Governor, to secure a conference had all been met by a refusal from the employers, so the Intercolonial Conference decided on the drastic step of calling out the shearers. Spence tried to reduce the decision to a threat; he pointed out that such a "call out" would involve a widespread breach of shearing contracts, for which the legal punishment under the Masters and Servants Act would be severe; he saw that many friends of unionism, and many squatters who had accepted the union, would be turned against it by such a breach of faith, and therefore urged the Conference to content itself with a mere threat to call the men out. But the Conference was feeling desperate, and after delaying the

message for ten days the necessary wire was sent to the shearers of New South Wales on September 19; 16,500 men responded to the call, in spite of the breach of contract and the knowledge that they were liable to lose their earnings or be punished in other ways. At once the effect was seen; the employers verbally informed the Mayor of Sydney that they would meet the strike authorities in open conference, provided the shearers were ordered back. The "call out" was at once reversed, and the puzzled shearers tried to take up their interrupted task. When that was done, however, the employers declined to meet the strike committee and left the dispute to run its course.

The rest was twilight. The sum of £37,000 had been contributed from various sources to the strike funds, but did not go far. The government was assisting the employers to carry on in spite of the strike, and there was sufficient labour available to enable the transport system to work in some fashion. The presence of the marine engineers on the ships, and the persistence of a spell of fine weather made navigation possible. In face of these facts it was useless to hold out any longer. On October 9 the Inter-colonial Conference adjourned *sine die,* leaving the executive to wind matters up as best it could; this it did by the 13th, and the strike collapsed, so far as Sydney was concerned. In Melbourne the last straw was added when the marine officers announced that they were accepting the shipowners' terms and withdrawing their affiliation with the Trades Hall.

Subsequent Disputes. Organized labour was shaken and battered. As a master stevedore remarked late in 1890, "the strike was a relief to us, because the men up to then did as they liked, and now they do as they are told." Employers on the wharves took men through the free labour bureau only, and in 1891 the Union Steamship Co. of N.Z. announced that until a better understanding was reached no more union seamen would be employed. The "call out" had sown much bitterness among the squatters, who held an inter-colonial conference in December, 1890; they drew up a standard shearer's agreement, which, whilst retaining the former rates of pay, ignored the eight-hour day and the union. The A.S.U. strove to regain its old position, but the Pastoralists' Union stuck to freedom of contract, and bluntly observed that agreements were useless when made with the authors of the 1890 scrap of paper incident. In Queensland and New South Wales a bitter fight was waged in 1891, with some semblance of civil war in the former state. Eventually the representatives of the Shearers' Union and the Pastoralists' Federal Council met in August, and the squatters' agreement was amended at some points. But at the head of it was to be printed the Council's definition of freedom of contract, and the A.S.U. had to be content to see its members working alongside non-unionists. This agreement brought three years' sullen peace, but in 1894 the fires burst out again in Queensland. The squatters were in control of the government of that state, and used their power with telling effect, even to the enlistment of Gatling guns and nine-pounders. In face of the prevailing depression brooding over the continent, there was no hope of success for the strikers, and the shearers' organizations entered 1895 bruised and almost prostrate.

Broken Hill also had its storms. Compulsory unionism, a 46 hour week, and machinery for conciliation and arbitration had been won by force during 1889-90, and the mine owners naturally sought a chance for a counter-attack. It came in 1892, when some proposals for a radical change in underground conditions of employment called forth another strike. After

four months of vigorous strife the arrest of the leaders and the importation of blacklegs broke the back of the strike.

Books Recommended. Coghlan, T., "Land and Labour in Australia"; Spence, W. G., "Australia's Awakening," and "History of the A.W.U."; Sutcliffe, T. J., "History of Trade Unionism in Australia"; Royal Commission on Strikes (N.S.W.), 1890-1.

CHAPTER XVII.

TRADE UNIONISM IN AUSTRALIA SINCE 1890.

The events of 1890 to 1894 left a deep mark on the whole future development of unionism and politics. Most of those problems and features which have characterized Australian public affairs since the nineties have their roots in the dark days of industrial strife. They can be grouped under two headings: Firstly, the diversion of organized activity from purely industrial to political effort; secondly, the placing of the whole field of industrial relationships under the control of bodies created by law, with "industrial peace" and "the living wage" as twin ideals. Before turning to these developments, let us glance at the fortunes of unionism since 1890.

Decline and Recovery. The many defeats in the early nineties caused large numbers of the weaker members to desert their unions. Funds were exhausted, and many unions or branches became insolvent. The bank smashes of 1893 and the subsequent years of stagnation and soup-kitchens made the struggle for individual existence severe, and "each man for himself" became the guiding principle with many. Wages fell in most industries, but prices and rents declined as well. Unemployment was rife, in spite of the drain of labour away to the goldfields of West Australia. Yet in face of these miseries unionism survived, with about 50,000 members.

Fortunately, Australia recovers quickly from her depressions, and by 1897 most traces of the former troubles had disappeared. This improvement affected the spirit of the wage-earners, and optimism replaced gloom. In 1901 there were 97,000 unionists in the continent; by 1908 the number had increased to 240,000, and from that time onwards the growth was rapid, up to 628,000 in 1919. Since the total number of persons over 20 years of age "in receipt of wages and salaries" in 1919 was only 1,258,000, it becomes evident that half the employed class was enrolled in unions. This large proportion is due not merely to the organizing energy of the unions, but also to widening the field to embrace all sorts of workers. Unskilled and seasonal occupations were well organized by 1890, and since that date the unionist principle has been adopted in such unexpected quarters as musicians, journalists, civil servants, bank officials, and teachers. In fact, one might say that wherever any body of men are employed—skilled or unskilled, clerical or manual, on state work or private work, for salary or wage—there unionism has found a home.

New South Wales is naturally the stronghold of unionism, over two-fifths of the total membership residing there. South Australia has absorbed into its organizations a greater proportion of employed workers than any other state, for in 1919 63 per cent. of its male adult employees were unionists. In Tasmania the percentage was only 32. One important feature of recent years has been the increase in the organization of women workers. The tailoresses of Melbourne had their union in 1882, but very little real success was achieved until about 1910. In 1914 there were 23,000 women unionists; by 1919 the number had increased to over 63,000. This last figure represents 26 per cent. of the adult women employees; in 1914 only 10 per cent. were in unions.

Towards Solidarity. This rapid growth in numbers was accompanied by a growing sense of solidarity and the fusion or federation of kindred bodies. Even before 1890 there was much talk of federation, but little was done. A vague recognition of community of interests existed, but there was no machinery to give it reality, either in any state (except Queensland) or for the whole continent. The Trades and Labour Councils really had very little control over the individual unions. This was fatal, for in the absence of any consultation, alliance, collective judgment or leadership, one union might plunge into a dispute without consulting the others, and then expect them to come to its assistance. The marine officers in 1890 gave a signal illustration of this danger, both by entering upon the strike and by withdrawing from it without reference to the other unions. At the Ballarat Conference of 1891 an elaborate scheme was submitted for the establishment of an Australian Federation of Labour, which would speak for organized labour as a whole, weigh the merits of each dispute, authorize or forbid a strike, and give such advice and financial assistance to strikers as might be possible or necessary. The proposal was adopted by the conference, but stopped there. Sectional interests were too strong; interstate jealousy was still rampant. These obstacles were gradually removed in part after the establishment of the Commonwealth, but not until 1913 was a national organization—the Grand Council—erected. This body, however, did nothing, and so unionism still lacks either a federal parliament or a headquarters staff. The folly of this was apparent in the railway strike of 1917 in N.S.W., when individual unions acted on their own account regardless of the opinions of other bodies which were in honour bound to support them.

Though the idea of a big continental federation made slow progress, the federation or amalgamation of state craft unions into one national body became more general. In 1912 only 10 unions operated throughout all six states; by 1919 the number had increased to 36. The number of separate unions declined from 432 in 1913 to 394 in 1919; consequently the number of organizations with memberships of over 5,000 increased from 22 in 1912 to 26 in 1919. By the latter year these large unions embraced 62 per cent. of the organized workers of the continent.

Since 1910 ideas of industrial unionism and the "one big union" (O.B.U.) have grown in favour. The advocacy of the former has raised many hotly-debated points. For instance, should the engineers who work in mine or railway shops desert their existing organizations and join the mining or transport unions? The vested interests of old bodies are jealously retained; small sections are afraid that if they are swallowed up by big industrial unions their interests will be neglected by the big majority to whom they minister. The Council of the Australian Journalists' Association, at its annual conference in 1918, refused to amalgamate with the Printing Industry Employees' Union "for the reason that the A.J.A. would be swamped in point of numbers." Still, some progress towards industrial unionism has been made in the printing, meat, mining, railway, and other occupations.

Meanwhile the more comprehensive idea of one big union, aiming finally at "one big union of humanity (*i.e.*, the proletariat), without regard to nationality, class, caste, creed or colour," received attention in some quarters during and since the war. The A.W.U., whose leaders were among the chief exponents of the ideal, broadened its constitution so as to admit all kinds of wage-earners; the Federated Mining Employees' Association, which

included the copper workers of South Australia, the gold miners of Victoria, and most other miners except those of Broken Hill and the New South Wales coalfields, came in as a Mining Section of the A.W.U.; a Railway Section was established in New South Wales, whilst salt, timber, railway and road construction, and other kinds of workers entered the A.W.U. fold. In this campaign the A.W.U. soon encountered rivals. Throughout 1914-16 the I.W.W. won some supporters among the extreme sections of the labour world, and in 1918 an Australian branch of the Workers' International Industrial Union (American) was established, with a Marxian gospel of class struggle and social revolution. The W.I.I.U. was followed by the Workers' Industrial Union of Australia, with a similar programme. The moderate elements attacked these revolutionary proposals and advanced a scheme for closer federation and co-operation. For a time the air was thick with arguments and expletives concerning the merits of these rival plans for O.B.U.; some large unions officially accepted the left-wing schemes; A.W.U. members refused to work in some places alongside members of the W.I.U.A., but by 1920 the uproar had subsided for the time being.

Unionism Turns to Politics. Out of its defeat in 1890 organized labour plucked the lesson that it must seek new methods of achieving its aims. For years past the idea of securing direct representation in parliament had been the subject of much discussion. The 1884 congress resolved to form parliamentary committees in each colony to "lobby" politicians in the interests of labour legislation, and also to obtain labour representation wherever possible. But in Australia, as in England, electors were wedded to the old parties, and the older men in the unions looked askance at the prospect of political strife entering industrial bodies. The idea of a workman in parliament was not, however, quite novel; in 1859 a Victorian stonemason had worked at his trade by day and attended the House at night; in 1881 the unionists of Balmain (Sydney) sent one of their number to parliament and for some months paid him a salary. Neither of these men had a definite Labour programme, and with these few exceptions the face of the political waters was untroubled by any Labour breeze. The rank and file were content to leave their interests in the hands of Liberal and Conservative members, and to rely on industrial action for the improvement of industrial conditions.

The maritime trouble altered all that, and as defeat was piled on defeat the need for political activity became apparently greater. This was due not merely to the failure of the strike as a weapon. That failure was admitted perhaps a little too readily, for there was no real attempt to analyse the causes of defeat or determined effort to remedy such faults as lay within the structure of unionism itself. The failure of the strike was placed rather to the credit of a solidly-organized capitalist class, a hostile press, and a government working hand in glove with the employers. The attitude of the various governments had much to do with driving organized labour into politics. The whole power of the state had been ranged against the strikers; the men were treated as rebels, the Masters and Servants Act worked grimly, the soldiery were extensively used, and strike leaders sentenced, sometimes on very doubtful evidence, to long periods of imprisonment. Therefore, as Spence wrote to the members of the A.S.U. late in 1890, "It is clear that only through the ballot-box can we expect to destroy the power of monopoly and obtain justice. Even were every man a unionist we could not beat combined capitalism, especially when it is aided by

governments in sympathy with it, who allow even the laws of the country to be violated in the interests of a class.'' Let Labour set out to build up its own party, construct its own programme, capture the governing machine, and so disarm its enemy; then, having seized the reins of power, there will be no need to strike in order to gain labour's ends, since they can be secured more easily and completely by legislation and a friendly administration.

Early Successes. This new policy was approved by the Ballarat Congress of 1891, when it adopted the scheme for an Australian Federation of Labour. The Federation was not merely to consolidate the unions and give a collective lead in industrial disputes, but was also ''to secure the direct representation of labour in parliament and promote such legislative reforms as will ensure social justice to Australasian workers.'' Scarcely had this scheme been adopted when the first shot was fired and the first victory won. Immediately after the big strike, the Sydney Trades and Labour Council resolved to fight for representation in parliament. A draft constitution and platform was constructed, and approved by a conference of local unions in March, 1891. League branches were hastily formed, and since payment of members was to be instituted in the next parliament, 45 candidates were nominated. The election was held in June, 1891, and in spite of all such obstacles as the lack of a daily press, and an improvised organization, 36 out of the 45 candidates were successful. That was the wage-earners' answer to the maritime strike. It was an indication of what organized labour might do in the political field.

The great hopes aroused by this first triumph were doomed to speedy disappointment. Many adventurers had used the new party as a ladder to parliament, and soon kicked the ladder away; no definite leader was appointed, and the efforts to secure a block vote in the House caused a fatal split in the party on the fiscal issue. Differences arose over the extent to which members should be bound by pledge to the decisions of their party, and while these differences were being fought out the amount of representation secured fell low. Not till 1904 did the officially pledged members begin to gain ground, but from that time onward progress was steady. Other states benefited by the experience of New South Wales. On the first possible occasion after 1890 organized labour in each state contested elections. In Queensland four seats were captured in 1892, 16 in the following year, and 23 in 1899. Labour in Victoria secured 10 seats in 1892; in South Australia it won 8 seats in the lower house in 1892, and two seats in the Legislative Council two years later. In Tasmania and West Australia little was achieved until after 1900. The establishment of the Federal Parliament opened a more promising field for activity, for the democratic franchise made it possible to capture both houses. At the first election 16 Labour men (including Messrs. Fisher, Watson, Hughes, Spence, and Tudor) were returned to the House of Representatives, and eight seats were captured in the Senate.

Stages of Growth. In its growth the new political party passed through three stages. As soon as it had gained more than a handful of members it held the balance of power. In New South Wales, between 1894 and 1904, neither of the old parties had an absolute majority. Labour could, therefore, make a bargain, offering its support to a party leader in return for the adoption of some measures on which Labour had set its heart. For instance, in 1894, Mr. Reid accepted certain Labour planks and promised to impose income and land taxes. In return for these and other

concessions the Labour members gave him their support, though refraining carefully from entering into any coalition; but finally in 1899 they grew tired of Reid and transferred their support to Lyne, in return for his written promise to take up certain measures. Reid at once fell, and between September, 1899, and July, 1901, the Lyne ministry passed no less than ten measures virtually dictated by the Labour members. The tail wagged the dog, and the Labour Party, though shouldering no responsibility for the work of government, was able to secure such important reforms as the abolition of plural voting, a wider franchise including votes for women, land and income taxes, vastly improved factory and mine laws, a shops early closing act, old-age pensions, better accommodation for shearers, compulsory arbitration, etc. In administrative work demands were successfully made for a minimum wage, trade union rates and preference to unionists in government employment, an eight-hour day for railway workers, the abolition of sub-letting in government contracts, and the establishment of a government clothing factory. A creditable record for the smallest and youngest party in the House!

This state of affairs ended when the party secured more than one-third of the seats in any Lower House, and this was done in New South Wales, South Australia, Queensland, and the Commonwealth between 1904 and 1906. The growth of the party had been chiefly at the expense of the Liberal Party, and created a new situation. In South Australia a Labour-Liberal coalition held office from 1905 to 1909. In the Federal arena the Labour Party kept Mr. Deakin in office for two years, although Labour had nearly twice as many supporters as Mr. Deakin. But such a position was unsatisfactory, and was eventually ended by a fusion of Liberals and Conservatives, thus leaving Labour as the direct opposition. This was the second stage of development—a party strong enough to drive the old parties into fusion and office. As a direct opposition less influence might be exerted on legislation than during the balance-of-power stage, but at least there was the prospect of soon reaching the third stage, which came when a straight-out majority was secured, and a ministry established. Prior to this Labour had held office on sufferance for one or two brief periods, because no other party could see the way clear to securing sufficient support. But with a clear-cut two-party system a majority for Labour was possible. Labour began to get its majorities after 1910, when the New South Wales Party came in with 46 members out of a House of 90. Similar successes were soon recorded in every state except Victoria, and at the end of 1915 Labour was in power in every Australian Parliament except one. The conscription issue of 1916 cleft the party as with an axe, divided lifelong friends, and sent Official Labour into the desert in every parliament except that of Queensland. In 1920 the N.S.W. Labour Party returned to power once more, and the Queensland Party won its third successive election.

The Political Aims of Unionism. The steady growth of the political labour movement was largely due to the energy with which the trade unions flung themselves into the work. The initiative generally came from the Trades Hall; the revenue of the party was drawn from the affiliated unions; and although the professional classes were not entirely unrepresented, the great bulk of the members were drawn from the trade union ranks. Official position in a union came to be regarded as a stepping-stone to political honours, and most of the leaders of political labour climbed into prominence on the backs of the industrial bodies with which they were connected. We

may, therefore, ask, "What did unionism want out of politics? What was its political creed? What did it get?"

To answer these questions we must remember that the unions turned to political action to secure those things for which they had formerly striven by industrial means. Therefore in the early platforms proposals for improving the conditions of labour under the existing industrial system occupied the major part of the programme. Of the 16 points of the first New South Wales programme nine aimed at bettering the condition of the wage-earner; three sought to increase his political power by an extended franchise, free compulsory education, and the election of magistrates; the demand for a land tax showed the influence of Henry George's recent visit, and Australian Federation was blessed ten years before its advent. In only two points was there any demand for a socialistic extension of state enterprise: a national bank and a national system of water conservation were proposed, as well as "the extension of the principle of the government acting as employer through the medium of local self-governing bodies." In the minds of some there might be a vague longing for a civilization built according to specifications supplied by Bellamy or Morris; but that seemed a long way ahead, except to the Queensland optimists, who made their first platform definitely socialistic throughout; meanwhile there was pressing work to be done near at hand. Political labour, therefore, set to work and applied its trade union mind to securing all possible safeguards or privileges for the wage-earner.

These safeguards can be put under five headings: (1) The extension of mine, maritime, shop, and factory legislation, so as to secure a maximum length of working day, decent, healthy, safe conditions in which to work, and workmen's compensation, with a Ministry of Labour and an adequate staff of inspectors to see the laws were obeyed. (2) The securing of adequate remuneration for labour, based on the suppression of sweating and the acceptance of the living-wage principle. (3) The protection of the unionist and his standard of living from the competition of the immigrant. The old fear of the coloured races had not disappeared, especially in Queensland, and the fight was therefore continued until the Federal Parliament established the White Australia policy. While admitting the right of those Chinamen who had already settled to stay in the country, unionist policy was either to reduce the difference between the white and yellow standards of production by declaring every Chinese workshop to be a factory and so subject to the factory acts, or to demand that all furniture made there should be branded as such. Added to this fear of the coloured worker was a dread of the effect of European immigration. In its crude form, it was tinged by ideas of republicanism and "cutting the painter," and expressed itself in the "opposition to free and assisted immigration" clause of the South Australian platform of 1892; but since that time the establishment of legal safeguards has removed the danger, the antipathy towards the Old Country has died down, and the only open opposition to-day is against immigration of contract labour. (4) The protection of the unionist against the non-unionist was one of the issues of the 1890 strike. Failing to get the closed shop, the less ambitious idea of "preference to unionists" was gradually evolved, and made a political demand. First admitted in the New South Wales Arbitration Act of 1901, the principle was subsequently embodied in the federal arbitration laws. (5) The events of the strike era had taught the unions the need for more liberal trade union laws. The need

was once more emphasized when the Taff Vale Decision began to be applied to Australia. Hence a demand arose for the repeal of the old laws which made possible fine and imprisonment for participation in industrial disputes, and the enactment of new measures which would give unionism an assured freedom of action. The position to-day is that unions can sue members for arrears of fees; they can make levies for political purposes or the support of Labour newspapers, but must exempt members who object to such levies; their right to strike is abolished (except conditionally in N.S.W.) under the provisions of the wages regulation laws.

Within twenty years of its birth political labour had gained, or was almost within reach of, most of these essentially trade union aims. The economic planks of the early platforms had been nailed to the national shanty, but still the rain leaked in, the draughts blew through the crevices, and in spite of all the added timber some of the inhabitants still complained that the whole building was wrong. Let it, therefore, be replaced by another, built on a new foundation—collectivism. Hence during the last decade the aim of labour has been extended; it is now claimed that the state should not merely regulate the conditions under which private enterprise is carried on, but should embark on productive enterprise itself. With this collectivism, its rise and achievements, we shall deal in a later chapter.

Books Recommended. As in last chapter; Clark, "Labour Movement in Australia"; Anderson, "The One Big Union" (pamphlet); "Platforms of labour parties since 1891," Atkinson (ed.); "Trade Unionism in Australia," Atkinson (ed.); "Australia: Economic and Political Studies," chap. 4.

CHAPTER XVIII.

THE STATE REGULATION OF INDUSTRY AND WAGES IN AUSTRALIA.

The struggle of 1890 comes as a great shock to many Australians. This was the first really big strike which the continent had experienced, and it seemed to open up a fearful prospect of a new undeveloped country torn with incessant industrial strife. People felt that no further progress could be made in these circumstances; capital would fight shy of the land, and governments would find their credit shaken when they went into the loan market. August bodies like the Royal Society of Tasmania turned aside from the study of butterflies and rocks to consider the character of the new economic portent, and discussion about the best road to industrial peace became general. The New South Wales Government shared the general disquietude, and in November, 1890, appointed a royal commission "to investigate and report upon the causes of conflicts between capital and labour known as 'strikes,' and the best means of preventing or mitigating the disastrous consequences of such occurrences," by examining the work of boards of conciliation and similar bodies in other lands. The commission sat for six months, examined nearly 80 witnesses, and then issued two huge volumes, containing, among other things, digests of George, Marx, Hobson, Sydney Webb, and Brentano, reports on municipalization, sweating and conciliation boards, and the Papal Encyclical on the condition of labour. Yet out of this mountain of information emerged only a mouse.

The evidence given by employers and employees alike showed that neither side had any proposal to make for effecting a radical readjustment of industrial relationships. They were asked for an opinion on the value of a board of conciliation or arbitration set up by the state. A squatter declared it would be no use; a shipowner said such a board would be useful if the men "would be reasonable"; a colliery-owner stated that he would rather deal with his men singly, and settle grievances in that way. If agreements were to be made, they must be enforced by the levy of heavy fines on any person or organization that broke them. The representatives of labour were favourable to conciliation; some of them objected to any board composed of government nominees, and all were opposed to the introduction of any element of compulsion. Both sides clung to the old order. The employer wanted freedom of contract, and having once tasted the fruits of victory was quite ready to fight labour again. The employees had no desire to see their freedom of industrial action limited; they were willing to confer, but agreements reached at such conferences were not to be completely binding. Spence and others quite frankly asserted that should any dispute arise on a matter of trade union principle no agreement could be allowed to stand in the way of a strike. "Anything is fair in war," said Spence. "If the principle (at stake) is important enough, you may call on trade unionists to break their agreement solemnly and legally made." This statement, which was made to justify the calling out of the shearers in September, 1890, was supported by Mr. Brennan, president of the Sydney

Trades and Labour Council, who declared, "There is a certain value on the labour side in sticking to agreements, but when any fundamental principle is attacked, then I say the agreements must go. Smash up all agreements." Labour was looking to political action for the realization of some of its aims, but even here there was no idea that the state should be used as an intermediary to settle industrial troubles.

In view of this absence of any new ideas from the minds of capital and labour alike, the commission's recommendations were very tame. It was suggested that the state should establish conciliation and arbitration machinery; a small nucleus of three permanent members (one employer, one employee, and a neutral) was to add to its number by drawing upon representatives of the trade in which a dispute might arise. These men would then act as a board of conciliation, but should they fail to reach agreement the three permanent members would act as a board of arbitration and give judgment. But there was to be no compulsion. The board was to have no power to conciliate unless invited to do so by one of the parties, and its judgments could not be enforced except with the consent of both sides. The whole success of the scheme depended upon the voluntary acceptance of agreements or awards, and the influence of public opinion in preventing the dissatisfied party from repudiating the settlement. Voluntary systems worked well in England; why not in Australia?

These recommendations were embodied in an act of 1892. In Victoria a similar bill had been before Parliament in 1890, actually before the strike broke out, and had been passed in 1891. But neither in New South Wales nor Victoria did the legislation meet with any success; it lay unused, ignored, and was eventually replaced by laws based on different principles. The reason for failure is probably to be found in the temper of the time. Capital wanted freedom from union interference, and was in no mood for conference with the enemy. Labour, smarting under defeat, had no general desire to make agreements, since by reason of its weakness it could not expect to secure terms favourable to itself. Conciliation implied "recognition"; it needed a willingness to compromise, and since neither side would accept the irreducible minimum of the other no good could come from any conciliatory machinery erected by the state.

The Coming of Compulsion. Capital and labour had nothing new to say, and it was left to onlookers to draw from the troubles of the period those lessons which vitally influenced the subsequent development of our industrial legislation. In his evidence before the New South Wales Commission, Mr. A. Oliver, registrar of friendly societies, suggested compulsory conciliation and arbitration before any strike or lock-out took place. If this was enforced by law, heavy penalties should be imposed upon any party which began fighting before the provisions for peaceful settlement had been exhausted. Neither side need accept the arbitrator's verdict, and once that verdict had been given either party would be free to stop work; but Mr. Oliver hoped that the discussion of the case, and the support given by public opinion to the side favoured by the arbitrators, would result in reducing strife to a minimum. Sir Samuel Griffith, then Premier of Queensland, went down to fundamentals, and declared that so long as "labour is a thing to be bought and sold," so long would there be industrial strife. He therefore urged the establishment of new economic relationships, in which labour, whilst receiving a "natural minimum wage," would also have its share of the net profit after land and capital had received their fair rate

of rent or interest. "The present state of things is impossible to continue," said the northern Premier. The remedy is a "community of interests," in which each factor in production gets its fair reward, and then leaves capital and labour to share what is left.

Onlookers were evidently thinking hard, but none so hard or to such purpose as the South Australian politician, Charles C. Kingston. To what extent Kingston was influenced by others one cannot say, but the maritime strike revealed to him the whole case for compulsion, and he sprang forward at once with the idea almost fully developed. On October 8, 1890, he sought leave to introduce a bill "to encourage the formation of industrial unions and associations, and to facilitate the settlement of industrial disputes." Before the New South Wales Commission he put the case for compulsion with great force. Strikes and lock-outs were "barbarous expedients," and if the disputing parties would not settle their differences without fighting, the state must compel them. There was a right and a wrong in every dispute, but the right did not necessarily emerge triumphant from the strike. In place of a victory for might, let each dispute be decided on its merits, and according to the "substantial justice" of the case. Further, industrial warfare must be stopped in the interests of the whole community. So long as strikes affected only a few employers and one union, the inconvenience to others might be small; but affiliation and concerted action on each side had turned industrial stoppages into events of national importance. Hence the state could no longer stand by and simply look on; its citizens paid taxes for protection, and, said Kingston, "I think they have the right to include strikes and lock-outs as one of the evils the state ought to protect them against." Therefore, in the interests of justice to the parties concerned in disputes, and to the outside public, let warfare be abandoned, and "even-handed justice" triumph; "where a matter goes to adjudication the odds are that justice comes out of it," and, even if neither party is satisfied, "half a loaf is better than no bread."

On these principles Kingston built up his bill of 1890. By it a Minister of Industry and an industrial registrar were to be appointed; a conciliation hall was to be built for the use of industrial organizations and for conciliation work. Unions which cared to register under the act subjected themselves to the provisions for compulsory conciliation and arbitration. A central board, with local boards, was to be set up, to which every dispute must be submitted. All agreements and awards were to be regarded as decrees or judgments of a court, and would be binding up to five years; any person wilfully breaking such decree was liable to fine or imprisonment, and any registered body which caused a strike or lock-out would be fined up to £500. Registration was voluntary, but Kingston hoped that his scheme would be so acceptable that unions would come in of their own accord. Should this not be so, the Minister of Industry was to have power to order compulsory conciliation whenever he thought a dispute might reach dangerous dimensions, whilst on a petition from both Houses of Parliament the Governor-in-Council could order the registration of any or all unions. The bill roused little interest beyond the opposition of the disciples of "supply and demand"; the Labour members did not like the compulsory clauses; hence the measure was quietly relegated to the end of the session, and ministerial changes helped to delay its passage in modified form until December, 1894. Meanwhile, in 1891 Pember Reeves had submitted to the New Zealand Parliament a bill inspired by, if not actually based on, Kingston's proposals,

and after over three years of listless discussion, with bitter opposition in the upper house, it was passed in August, 1894. Reeves scored the first legislative triumph, but Kingston was the author of the idea of compulsion.

The New Zealand Act was frequently amended so as to render its compulsory clauses more effectual, but the South Australian Act lay unused. During the discussion in the Legislative Council one Labour member had questioned whether any union would register under the act, and his prophecy proved to be correct. The unions had no desire to barter away their freedom of action, and the right of the state to compel registration was never used. The act was important not for what it achieved, but for the new principle it contained—*i.e.*, the maintenance of industrial peace by state action.

The Crusade Against Sweating. While South Australia tried to abolish industrial warfare, Victoria approached the industrial problem by a different road. The early nineties revealed the existence of sweating conditions in some of the industries of that state; wages were very low in government and municipal work, and the garment, furniture, baking, and other industries sank almost to the level prevailing in the most sweated British occupations. The furniture trade was rapidly being captured by Chinese, and the competition between yellow and white workers was pulling the wages of the latter down to a very low rate. In the garment industry wholesale dealers and manufacturers were giving out their work to contractors, who employed people to do the work at home. These home conditions were very bad in many cases; women were making shirts at 3/- a dozen and finding their own machines, oil, cotton, and needles. By working from early morning until late at night women might earn 9/- to 11/- a week, and men about 15/- After considerable agitation in press and pulpit, Parliament resolved in 1895 that no person should be employed on government work or contracts at wages "insufficient for a proper maintenance." The Governor's speech of the same year promised an amendment of the Factories Act "so as to check the practice of sweating and ensure work being carried on under proper sanitary conditions." This was done in 1896, when the Chinese furniture workshops were subjected to severe regulation, and wages boards established to fix minimum rates of pay for certain sweated occupations. The standard by which these rates were to be fixed was the rate paid by "reputable employers." Boards were soon established for the furniture, bread, clothing, and boot trades, but others followed, until eventually most industrial and commercial workers were affected. At first limited to wages matters, the power of the boards was later extended to include hours, overtime rates, and the number of apprentices.

Boards and Courts. Wages regulation was thus in origin an attack on two distinct evils, industrial war and sweating. Having decided to shoulder the task of regulation, governments had to ask, "What is the best machinery for the work?" and "How define sweating?" The Victorian wages boards seemed to answer the first question, and were at one time or another copied in every state except Western Australia. In two states, Victoria and Tasmania, the system still prevails almost in its primitive form, but even there the boards' decisions have ceased to be final. In Victoria an appeal can be made to the Court of Industrial Appeals, which has power to alter any part of the award. In Tasmania the legality of an award may be challenged before the Supreme Court.

In New South Wales an attempt was made to devise a better machine than the wages board. The Victorian board was merely an extension of the

round-table conciliation idea; it endeavoured to secure agreement among men actually engaged in the industry. The alternative was a system based on arbitration, with a verdict given by some judge or referee after hearing evidence from both sides. This method was chosen by New South Wales in 1901. A Court of Industrial Arbitration was established ,with a president, who was to be a judge of the Supreme Court, and two assistants—one to represent the whole employing class, the other the whole of the wage-earners. The work of this court was "the hearing and determination of industrial disputes"—*i.e.*, the avoidance of strikes and lock-outs. But the unions at once seized upon it as a means of securing improved conditions; they felt sure that if they could obtain a hearing from the new court they would certainly get some improvement of their industrial lot. As the court would only give its attention to an industry when a dispute had sprung up, the unions set to work to make disputes. The court was at once flooded; in the first year 81 cases were listed for trial, and only 11 disposed of. The congestion accumulated with each year, the first president broke down in health under the strain of the work, unions grew impatient at the delay in having their affairs dealt with, and it soon became evident that a change must be made. In 1908 therefore the wages board system was adopted, with the Arbitration Court as a place of appeal. But here again there was much trouble. Two hundred and seventy boards were set up, and the multiplicity and overlapping of awards soon became serious. For instance, the saw-milling and timber industry was affected by 18 different awards. Chairmen and members were able to attend only intermittently, and since the calling of witnesses was allowed a board might drag on for months or even years before reaching a determination. Then since appeals could be lodged against the board's awards, the final settlement might be as long in coming as when one court tried to do all the work. In 1912, therefore, another effort was made to expedite the work by bringing the boards into industrial groups, with a chairman at the head of each group. The chairman would preside at the meetings of all the boards in his group, and would therefore bring an accumulated knowledge of the whole industry, which might be useful in helping each board to reach a conclusion more quickly. In practice this was not so. The chairman did not give his whole time to the work, and the boards could therefore meet only when convenient to him. Hence the delay was often greater than ever, and the right of appeal to the Court made the proceedings interminable. More judges had to be appointed; the continued rise in prices during and after the war necessitated frequent revisions of wages lists, and so in 1918 the Board of Trade, comprising the president of the Arbitration Court and representatives of capital and labour, was set up to review the basic living wage figure annually.

In spite of its defects, the New South Wales method of regulation by a special Court advanced in popularity at the expense of the wages board. Queensland and South Australia began with wages boards; then in 1912 they added industrial courts. Four years later Queensland decided to scrap the boards; South Australia kept them, but their work is overshadowed by the Court, which hears appeals, controls industries for which no board exists, deals with disputes, and fixes the basic wage. Western Australia in 1912 placed regulation entirely in the hands of a court of arbitration, and the same system was adopted in the Federal arena in 1904, when the Federal Arbitration Court came into being to deal with disputes extending beyond

the limits of any one state. The reasons for the growth of the court at the expense of the board system will be noticed in a moment.

Extent of Wages Control. From 1900 onwards the machinery for wages regulation was rapidly built up throughout the Commonwealth, and the awards of boards and courts were applied to over half the wage and salary earners of the continent. In 1919 there were about 1,260,000 employees in Australia, of whom over 600,000 were working under state awards, determinations, and industrial agreements. If to these we add workers affected by Commonwealth awards, then we may assume that nearly three-quarters of the employed population came under the wing of wages regulation.

This regulation was in the hands of five industrial courts and over 500 boards. The number of boards in existence grew from 484 in 1913 to 518 in June, 1920; the number of awards and determinations in force grew during the same period from 575 to 970, whilst the number of industrial agreements arrived at between employers and employees and then given legal force rose from 401 to 1,011.

Regulation spread over an even wider field of employment. At first only sweated workers were to be dealt with, but as the trade unions decided to fight their battles by peaceful means, the big manufacturing, mining, rural and transport occupations were included. For a long time, however, salary-earners were generally untouched by any award, but recently this distinction has begun to melt away, and the tendency to-day is for all employees, whatever their occupation and status, to be regarded as fit subjects for regulation. Musicians and journalists have secured awards; in 1917 the Queensland court gave an award for miscellaneous workers, which included vergers. The salaries of employees in the professions have generally been regarded as being beyond the scope of state regulation, and some years ago the New South Wales court refused to deal with any amount over £225 per annum. This idea has been abandoned; the New South Wales Arbitration Act of 1918 provides for the regulation of salaries of civil servants up to £525 a year; in April, 1918, the Federal Arbitration Court made an award for professional officers in the Federal Public Service, by which minimum rates, ranging from £98 to £1,000 per annum, were fixed. In 1920 an agreement between the banks and the Bank Officials' Association was filed by the Federal Court, and the New South Wales Parliament asked a judge to make recommendations relating to the salaries of its members and ministers.

The State and Its Employees. Each governing body in the continent has, in its capacity as holder of the scales of justice, demanded that those employed by private capitalists shall be paid a living wage and ensured certain minimum conditions of employment. But each government is itself a large—perhaps the largest—employer. Clerks, professional officers, rail, road, and ship workers, teachers, police, factory employees, etc., all have the same needs as those who work for private firms, and the state must impose upon itself the same demands and principles as it presents to other employers of labour. If the plea that an industry cannot bear the extra cost does not excuse a private employer from the payment of a living wage, the low condition of the state's finances cannot excuse a government from the same obligation. And if the private employee is offered a board or court in which to seek some degree of economic justice, the state employee must have the same right, or something equivalent to it. The recognition

of these obligations has been partially or wholly given in some parts of the continent in recent years. The employees of the Federal, New South Wales, and Queensland governments have certain rights of access to the wage-regulating authorities; elsewhere no such right exists, though a government may set up a special tribunal for its employees, or may accept the basic living wage figure fixed by the arbitration court for private employees. This refusal by the state to drink its own medicine is a fruitful cause of discontent in the public services, and the whole relation of the crown to its growing army of workers must sooner or later be reviewed.

We can now turn to consider three questions. (1) How has the machinery worked? (2) What principles have been adopted? (3) What results have been obtained?

The Machinery at Work. It is generally recognized that any system of wages control must be able to work quickly and cheaply; and that revisions of awards must be easily obtained when required because of a dispute or a rise or fall in the cost of living. Which is the better fitted—the board or the court—to secure such smooth working? Three comparisons can be made. (1) The wages board, once established, can take matters in hand at once without waiting for a dispute to take place in the industry. It can meet as frequently as it likes until a determination has been reached, and its findings can be varied when it thinks circumstances demand an amendment. An industrial court, on the other hand, cannot initiate proceedings, but must wait until a dispute or appeal comes officially to its ears. Then it sets the judicial machinery to work, places the dispute on the list of cases to be heard, and lets it wait its turn, unless the employees concerned are sufficiently strong to force it nearer the top of the list. (2) The wages board has to deal with one trade or section of a trade only, the court with the whole field of industry. Hence the latter may be overcrowded with business, and long delays occur before an award is secured. Delays breed unrest among the wage-earners affected; they are inconvenient to employers, who do not care to make tenders for any future work until they know what their labour is going to cost. The wages board has only its own industry to deal with, and can do that quickly and well. (3) The wages board is a conference of experts. Its members know intimately the details of the industry, and can discuss technical points with ease. There is little need to seek for outside evidence, and agreement may be found without calling on the vote of the chairman. The industrial court is composed of a judge, who, though an excellent lawyer and economist, may know nothing of the technical details of the industry under survey, and has to be taught the A B C of the trade before he can proceed to make his award.

The above considerations seem to suggest that on general grounds the advantage is with the wages board. Wage-earners, however, favour the other system; for two reasons. Firstly, the wages board gives no official recognition to the trade union, but regards the employees simply as individuals and not as members of any organization. A board may be established in an industry in which there is no union. This legal non-recognition really means little in practice, for unionists are usually elected to the board, and the log which they submit is a union product. The industrial court works admittedly on the basis of industrial organizations. The unions appear officially as appellants or respondents, and in two courts they may secure preference to unionists. The court method, therefore, encourages unionism; the board ignores it. Secondly, the wages boards are not guided

or bound by any authoritative decision as to the basic or living wage. They are free to fix such rates of pay as they please. The industrial court, on the other hand, takes as one of its first duties the estimation of the minimum sum of money necessary for subsistence, and in all its subsequent work uses this minimum as the foundation on which to build its awards. Further, the powers of the court are wider than those of the boards, and as the decision is taken out of the hands of the disputing parties each side can disclaim all responsibility for an unsatisfactory award.

When we descend from generalizations to concrete cases, we find in both forms of machinery many faults which reduce their efficiency. The element of delay is most serious. It may take months to get the consent of both houses of parliament to the formation of a wages board; months may elapse before the members are chosen and a chairman is secured. At this stage it may be found that some minor point of procedure has been overlooked, and the whole board is therefore declared illegal. The meetings of the board offer abundant opportunities for further delay; the difficulty of finding convenient hours for meeting, the absence of important members of the board, the calling of witnesses, the task of teaching the chairman the rudiments of the trade, and the fact that members receive a fee for each sitting of the board, all may conspire to drag the deliberations on for as much as two years. Then one side may be dissatisfied with the determination and appeal to a higher power. This means further delays, and in a time of rapidly rising prices a determination or award based on the cost of living may be out of date when it is issued; hence the union officials begin wearily to prepare for another suit. It is, of course, open to question whether any other method, say of direct negotiation between employers and employees in conciliation boards, would be quicker. But that does not alter the fact that existing machinery often works too slowly, and thus creates unrest and a desire for direct action.

To slowness we must add costliness, a feature which is becoming more prominent as industrial courts grow in importance at the expense of wages boards. A court implies a judge and pleaders. The award of the court will be determined by the evidence put forth by the opposing sides, and it therefore behoves the litigants to seek out the best lawyers they can afford. Small unions have to be content to have their case put by their secretary, but bigger bodies spend heavily in order to get the best men possible. The employers pursue the same policy, and industrial courts are often the scenes of fine forensic displays. But the displays cost money; in 1917 a solicitor asked a retaining fee of 2,000 guineas, and 25 guineas a day for taking a case through the Federal Court; lawyers' bills varying from £1,000 to £3,000, or even more, are common, and a mere application to the Federal Court to see if a dispute exists (officially) in an industry may cost a union 100 guineas. Such heavy charges bring many organizations to the verge of bankruptcy; the only consolation is that a strike might have cost more and yielded less.

Legal fees are not the only result of court work. A legal atmosphere is also produced, in which the general merits of a case may be submerged and thwarted by some legal hair-splitting. Our wages laws, in spite of much amendment, still contain many unexpected loop-holes, and thus give rise to discussions which, whilst vital to the legal mind, seem petty and annoying to the wage-earner. Questions of jurisdiction and matters of procedure frequently crop up, and such problems as What is an industry? What is a

restaurant? What is a dispute? etc., all show that economic life is much too diverse in character and activity to be penned up inside the clauses and definitions of a law. There is, in fact, a distinct danger that this desire for legal order and stability may result in attempts to petrify economic organization in its present form. Something of this is to be seen in efforts which have been made to check the freedom of certain unions to change their name and amalgamate with or absorb other unions, and it is being felt in many quarters that arbitration laws are a barrier in the path towards the one big union. Meanwhile the union secretaries are plunged into a legal whirlpool; they have to spend more and more of their time preparing or fighting cases, and strive in vain to keep abreast of the ever-growing volume of awards and legal decisions which flow from the wage-governing bodies of the continent. Such concentrated activity is inimical to real leadership or breadth of view, and the big problems of trade union policy are neglected.

Principles of Wages Regulation.—The Living Wage. In the search for some guiding principle which would help in assessing the minimum rates of pay, wages laws gradually passed from the "reputable employers" clause to the living wage. In Tasmania the reputable employers clause, embodied in the 1910 act, was repealed in 1911, and boards were left free to fix whatever rate they thought "fair and reasonable." The same was done in Victoria. In South Australia it was laid down in 1910 that whilst "fair and reasonable" wages should be fixed, boards must take into consideration the rates fixed for the industry in Victoria, so as not to handicap local industries by subjecting them to the competition of lower-paid labour elsewhere. Two years later, however, the industrial court was established and was forbidden under any circumstances to fix less than a living wage—*i.e.*, a wage sufficient to meet "the normal and reasonable needs" of the average citizen in a particular locality. This principle, which has been adopted in Queensland, New South Wales, Western Australia, and the Federal Court, was probably first defined by Sir Samuel Griffith before the N.S.W. Strike Commission in 1891, when he declared that the "natural and proper measure of wages" could "never be taken at a less sum than such as is sufficient to maintain the labourer and his family in a fair state of health and reasonable comfort." This "natural minimum wage" would have to be determined by the law of averages, and since the average family consisted of man, wife, and three children, the minimum must be sufficient to keep these five people. The first official enunciation came from Judge Heydon in the Sydney Court in 1901. His standard was "that every worker, however humble, shall receive enough to enable him to lead a human life, to marry and bring up a family, and maintain them and himself with at any rate some small degree of comfort." Six years later Mr. Justice Higgins gave as his standard "the normal needs of the average employee, regarded as a human being living in a civilized community."

The acceptance of the living wage principle implies a careful estimate of what are normal and reasonable needs, and the contemporary cost of meeting those needs; in other words, the fixing of a line below which any existence could be regarded as permanently impossible. At the very least, the estimate should make allowance—maybe frugal—for rent, clothing, food, light, and fuel. In addition, it should provide for a newspaper, payments for friendly society, insurance and union, travelling expenses, and some amusements. To what extent these latter items, and such others as savings, furniture, holiday expenses, etc., should be considered is a matter for some

dispute in fixing a bed-rock living wage, but they cannot be excluded from any assessment of the "normal and reasonable" requirements of a family in these days. Finally, the calculation should assume that at least two children, as well as a wife, have to be maintained from the male adult's earnings.

Having fixed this absolute minimum for the unskilled worker, two questions have then to be considered. Firstly, what additions are to be made to allow for different degrees of skill, the need for special training, the amount of responsibility resting on the worker's shoulders, the disagreeable, unhealthy, dangerous or casual character of the work, and the value of overtime or night work? To some extent all these aspects have been dealt with in different awards, though whether each has been given its proper importance is a matter to be discussed later. Secondly, if a basic wage is carefully calculated on the evidence of existing prices, is any increase in the cost of living, as recorded by the Commonwealth Statistician, to be followed by a proportionate increase in the basic wage? This idea has been accepted by the courts, and since prices have been increasing ever since the courts came into existence the basic wage has been raised on several occasions. In South Australia the rate was fixed in 1908 at 7/- a day; it was raised in 1913 to 8/-, but in view of the war and drought all attempts to secure any further increase were unavailing until 1916, when 9/- was fixed. Further increases in 1918 and 1920 brought the rate up to 12/6. In the Federal Court a living wage of 7/-, fixed in 1907, was raised to 8/- in 1913, and to 13/8 (for Melbourne) in 1920. Judge Heydon (N.S.W.), who was the first to formulate from the bench the living-wage principle, made an exhaustive investigation in 1913, as a result of which he decided that 48/- a week was essential for a man, his wife, and two children. Times were prosperous, and the judge regarded it as right that the living wage "should go up and down with the Commonwealth Statistician's tables of changes in the purchasing power of the sovereign." By 1915 this formula entailed a basic wage of £3 3/-, but the judge deserted his own principle, fixed £2 12/6 as the most he dare assess, and referred the whole matter to the government. In his opinion there was a limit to the correlation of the living wage and the cost of living; under such an arrangement higher wages caused higher prices, which in turn made still higher wages necessary, and so prices and wages danced round after each other in a merry but vicious circle. The 1918 Act adopted the principle of periodical adjustment by establishing the Board of Trade to make annual assessments; hence by 1920 the basic wage for New South Wales had been raised to £4 5/-.

Women's Wages. One aspect of the living wage—the payment of women—received little attention until about 1918. In that year the South Australian Court decided that the basic wage for women should be determined by the requirements of the woman who had to support herself entirely, but had no dependents. This admittedly entails hardship on the woman who has to support children or parents out of her earnings, or who does work in which men are also engaged; but the demand for "equal pay for equal work" has received little support.

The Prevention of Stoppages. "The central purpose of the bill is to prevent strikes and lock-outs." So spoke Mr. Deakin when introducing the Federal Arbitration Bill in 1904, and the desire to prevent stoppages of work won over to state regulation many who regarded the fixing of wages as "contrary to all sound principles of political economy." In South and

West Australia, in N.S.W. till 1918, and in industries under Federal awards, stoppages are illegal. In Queensland they are illegal in public utility industries, unless a conference before an industrial judge has been held and failed, and unless a ballot is taken and 14 days' notice given. In other industries the fortnight notice and the ballot are required. In Tasmania they are illegal in industries working under a board determination; in Victoria alone is there no preventive legislation. As a check on stoppages the compulsory conference has grown in importance, especially in industries for which no award has been made; agreements reached at these conferences may be filed by the Court, and then have the binding effect of an award. Should a strike or lock-out occur in face of the law, heavy fines can be imposed, and the South Australian law provides for imprisonment up to three months. In Victoria the wages board's award may be suspended for a year.

Some Results of Wages Regulation. In conclusion we can ask—What has been the effect of twenty years of wages regulation? The first result is clear; the worst forms of sweating have almost disappeared, though in 1917 the fact was revealed that many women in Melbourne were receiving less than 22/-, in spite of the existence of wages boards in their industries. For many male adults the rates of payment allow little more than a beggarly existence under prevailing prices. Hours have been generally reduced to 48, and in some industries to 44—*i.e.*, the real 8-hour day for five days a week and four hours on Saturday. The second aim of regulation was industrial peace, peace to be kept under compulsion. This aim was on the whole achieved until about 1910, but since that date the number of strikes and lock-outs has increased rapidly. In 1913 there were 208, in 1916 508, in 1917 444; 1916 was marked by the big miners' strike, 1917 by the general upheaval led by the railway workers in Sydney and the wharf labourers in Melbourne; 1919 saw 460 strikes, directly affecting 100,000 workers; the seamen's dispute held up production and shipping for three months, and the Broken Hill miners broke all records by remaining "out" from May, 1919, to November, 1920. There can be little doubt that the belief in direct action has revived of late, after 25 years' slumber. The pressure of cost of living on wages, the delay in securing amended awards, questions of employing certain classes or persons (non-unionists), and working conditions, all helped to create an atmosphere in which strife seemed necessary. The bulk of the stoppages was caused by questions of employing certain classes and working conditions, and comparatively few centred around wages and hours, at least until 1916. Laxity in enforcing penalties against strikers and the success of the miners' strike in 1916 created a belief that the strike was the best and surest weapon, but this belief was rudely shattered in 1917 as in 1890. Machinery for industrial regulation can, and has, settled many disputes before they reach the point of a stoppage; but causes of dispute may arise which are outside the jurisdiction of the court or the scope of an award, and thus cause a strike. The events of the last four years have shown that no amount of prohibition will prevent strikes; the right to strike is the industrial equivalent of the national right to make war, and the wage-earner can be expected to abandon the former about the same date as nations abandon the latter. This was recognized in the New South Wales act of 1918, by which unions may choose whether they will rely on industrial action only or on arbitration alone; one or the other. They must stand by their choice, free to strike if they decide on that weapon, but

subject to a certain pre-strike procedure which has no precedent in international disputes. The Federal Industrial Peace Act of 1920, whilst retaining the ban on strikes, provides for the establishment of special tribunals, apart from the Arbitration Court, to deal with serious threatened stoppages.

Thirdly, we may consider the effect of regulation on real as distinct from nominal wages. The system was at work until 1914 during a period of prosperity, and between 1901 and 1911 money wages, allowing for lost time, advanced in the proportion of 832 to 1,000; during the same period the cost of living, including food and rent, advanced from 880 to 1,000. These years, therefore, saw wages rise more rapidly than prices; further, there was a general levelling up of wages; regulated trades witnessed an increase, especially in the pay of unskilled labour, whilst unregulated trades were influenced by the competition for labour with better-paid industries. Between 1911 and 1913 the advance in money wages failed to keep pace with that of prices: the former went from 1,000 to 1,071, whilst the latter rose from 1,000 to 1,104. This unequal advance was accentuated after 1914, for whilst money wages had crept up to 1,285 in 1918, the cost of living index number had risen to 1,362. Thus the effective wage—*i.e.*, the wage regarded in terms of goods purchaseable—increased up to 1911 in the proportion of 945 to 1,000, and fell after that date to the level of 943 in 1918. The wage-earner was worse off in 1918 than in 1901. In 1919 he advanced considerably, for the effective wage index climbed to 963.

The causes of this increase in prices were many. To a great extent they were world-wide, and were part of a universal advance in prices, which began in 1896, and affected every country. Local causes were also at work. The droughts of 1908 and 1914 had their effect. By 1910 competition in Australian industries had been limited by the activities of price agreements or trusts Employers came together to discuss wages affairs, and from that went on to discuss prices. Hence the policy of "passing on" an increased wage in the form of an increased price became popular, and could be practised easily in view of the natural and artificial protection which Australian industries enjoyed. To a small extent increased wages were followed by a reorganization of a factory or works, and the higher payment of labour was met by increased efficiency in production. It is doubtful if in any big industry the increase came out of the profits. The policy of passing on was profitable to the employer, for if a 5 per cent. increase was made on wages a 5 per cent. increase might be made in the cost of the article produced. The Australian worker receives about 50 per cent. of the value he adds to material in manufacture; hence if a 5 per cent. increase in wages meant to him 1/- a day, a 5 per cent. increase in the price of the goods he produced would mean 2/-. In this way employers were able not merely to meet the higher wages, but also to add a little to their own net return. Mr. Murphy, in his "Wages and Prices in Australia," describes as one effect of wages regulation, "the enriching of the employer."

The adoption of the basic wage principle has in part been responsible for the narrowing of that wide gap which in other countries frequently exists between the wages of skilled and unskilled workers. The procedure adopted by the courts is to fix the rate for the unskilled labourer, and then, by adding a fraction to it, to determine the minimum for skilled workers. Mr. Murphy, in the volume just quoted, shows that whereas the hourly rates of skilled workers in New York (1915) were about 70 per cent. above those of

unskilled workers, the difference in Melbourne was only 22 per cent. This does not mean that the Australian unskilled man is paid too much; in New York he is probably paid too little. It means that the Australian skilled worker is not paid enough. The result is that there is little inducement to Australian youths to embark on periods of apprenticeship and technical training, and much inducement to them to enter unskilled or semi-skilled occupations, where good wages can be obtained at once, instead of after a long period of probation.

Finally, wages regulation has been in operation in a period of scarcity of labour, energetic government borrowing, and rising prices. It is open to debate whether under these conditions workers might not have been able to get just as large an increase of wages without state action. In practice, the machinery has in recent years been largely engaged in pulling wages up to prices. It still remains to be seen how the machinery will work in a period when prices are falling, credit is restricted, and labour is over-abundant.

Present Chaos. As this volume goes to press, the whole wages position is clouded. Two causes stand out. (1) In 1920 members of the Federal Parliament increased their salaries from £600 to £1,000 a year; this startling piece of constitutional direct action had its inevitable effect in stimulating wage-earners to demand large increases. (2) Late in 1919 the Federal Government appointed a royal commission to investigate the whole question of the cost of living "according to reasonable standards of comfort" and the automatic adjustment of the basic wage. This commission, after twelve months' work, submitted a unanimous report in November, 1920. Allowing for a slightly more liberal definition of "reasonable standards of comfort" than had been accepted in earlier wage estimates, it declared that the actual cost of living in November, 1920, for a man, wife, and three children under 14 years of age, ranged from £5 6/2 in Brisbane to £5 17/- in Sydney. Since the basic wage figures fixed by the various courts in 1920 ran between £3 15/- and £4 5/-, and since the payment of the commission's figure to all male adult workers would add about £100,000,000 to the country's annual wages bill, the report came as a thunderbolt. It brought several vital questions forward, questions which fundamentally affect the whole future of wages regulation. Of these, two only need be noted here.

(1) Can the basic wage be determined without any regard to the total volume of wealth produced and available for distribution? It has often been laid down that in fixing a basic wage no account can be taken of the ability of an industry to pay that wage, and that any industry which cannot afford to pay it is better closed down. This nonchalance becomes impossible when inability to pay becomes general or affects big staple industries, as would probably happen if a wage based on the commission's figures were applied all round. The Wealth Census of 1915 revealed the fact that if all Australian incomes over £156 were divided among those receiving less than £156, then each income-receiver would obtain 10/5 a week more than he was getting. If all income in excess of £300 a year were distributed among income-receivers (over 14 years of age) getting less than £300, the dividend would be 4/5 each a week. The surplus has grown since 1915; but even then it is very doubtful whether industries producing for export could pay the commission's rates, whilst industries working for the home market could only do so by largely increasing their prices, a step which would at once make necessary a further increase of the basic wage. We are driven back on to the question, "Is the volume of production sufficient to give every

worker an income big enough to enable him to enjoy 'a reasonable standard of comfort'? If not, by what means and in what directions—agricultural or industrial, primary or secondary—can the production of the continent be increased?''

(2) Can we continue the practice of paying every male adult worker—single, married but with no children, married and with children—a wage based on the cost of keeping man, wife, and two or three children? In the past, the same rate has been applied to all workers, regardless of the number of dependents; it has been payment, not ''according to needs,'' but ''according to the needs of the average family.'' The arguments in favour of this practice have been (a) that the single man will save his surplus in order to set up a home some day; (b) that if lower rates were paid to single men than to married men, the former would be employed in preference to the latter. The second argument may be sound; the first is not so valid, for the single man may, or may not, save. Further, the married man who limits his family to one child is overpaid, whilst the man with more than three children is underpaid. Industry, therefore, in paying a wage to all based on the needs of a family of five, pays for 450,000 non-existent wives and over 2,000,000 non-existent children.

The facing of this problem is an inevitable corollary of a system of regulation based upon the needs of the wage-earner, and leads irresistibly to consideration of plans for the endowment of children. If a reasonable standard of living is to be maintained, the flat rate income must give place to one which varies in accordance with the number of dependents. But the employer cannot be left to pay the varying rates: if he were, he would endeavour to employ single men only. The state, which laid down the basic wage principle, must follow its own idea to the logical conclusion. An unsuccessful attempt was made to do this in N.S.W. in 1918; the matter was brought forward much more prominently in a personal memorandum submitted to the Federal Government by Mr. A. B. Piddington, K.C., chairman of the Basic Wage Commission, at the same time as the commission's report. Mr. Piddington suggested that in order to make the commission's recommendations workable, the basic wage for a single man or a man and wife should be £4. In addition to paying each employee £4, the employer was to pay a tax of 10/9 per employee to the state, and the state would then use this money to pay wage-earners 12/- a week for each child under 14 years of age. Thus a man with three children would get £4 wages and 36/- endowment, a total of £5 16/-; the man with five children would get £4, plus 60/-, a total of £7. The single man would get only his £4 wages. What will happen to this proposal has yet to be seen. In December, 1920, the Federal Government agreed to pay the £4 minimum to its employees and 5/- for each child. Any attempt at state endowment as outlined above would entail complicated administrative machinery. Still, the idea is now definitely in the field and cannot be ignored, unless we scrap the whole principle of payment according to needs.

Books Recommended. New South Wales Royal Commission on Industrial Arbitration, 1912; Commonwealth Year Book, chapter on ''Industrial Legislation''; Commonwealth Labour and Industrial Branch Reports; Murphy, H. M., ''Wages and Prices in Australia''; Industrial Court Reports for N.S.W., S.A., Q., and Federal Court; Atkinson, M. (ed.), ''Australia: Economic and Political Studies,'' chap. 5; Reports of Federal Basic Wage Commission, 1920.

CHAPTER XIX.

THE CRITICAL BASIS OF SOCIALISM.

TRADE unionism and industrial legislation were in essence and origin attempts to make labour more bearable and less exploited in the new capitalist system. We now turn for the remainder of this volume to consider movements which had as their aim the creation of a quite different economic system. They are co-operation and socialism. Co-operation, in its inception, dreamed of a new heaven, where each worked for all and all for each, and socialism was equally revolutionary in its search for a system in which the labourer would not be exploited for private gain. Both have been assisted by the congregation of population into large industrial centres; both have been driven along by the motive force of poverty; both are material in methods, but spiritual in aims. Both owe much to the assistance of middle-class supporters, but rely for their progress upon the awakening of the world's mass of wage-earners. Both have achieved great measures of success; co-operation has many substantial material accomplishments to its credit, but the successes of socialism lie largely in the field of propaganda, individual conversion, and political power.

In its progress through a century socialism shows four aspects. First, and most powerful, is its criticism of existing society and denunciation of the methods and results of modern capitalism. This task is easy, for the volume of information on poverty in all its aspects supplies the socialist with an inexhaustible store of ammunition. Second comes the socialist philosophy of social evolution, first fully enunciated by Marx, in which it is shown that the rate and direction of social progress are determined by the development of the means of production, distribution, and exchange, and that this development leads inevitably to the eventual breakdown of capitalism and the institution of socialism. The third feature is the socialist alternative to capitalism—the ideal—which sees the liberation of the genius and happiness of mankind in an economic society based on the social ownership and control of capital. In order that this ideal may be realized, and realized quickly, we have the fourth aspect, the propagandist movement, which has spread to nearly every land, and which numbers its converts by the tens of millions. In order to understand socialism we must keep these four strands clearly and distinctly in mind.

Like most movements, socialism began as a reaction. It did not emerge fully fledged; it had its origin in discontent and criticism of existing conditions, and found therein one of the staple articles of diet during its growth. Let us first examine, therefore, the main lines of socialistic criticism as they appear to-day.

The Shadow of Equality and the Substance of Inequality. The main line of attack is the contention that side by side with the growth of political democracy and equality there have grown up economic despotism and inequality. The fight for political democracy was one of the great struggles of the 19th century, and in some countries achieved a considerable measure of success. Democracy, liberty, equality, and fraternity have been popular

watchwords since the French Revolution, and equality of rights is the keynote of modern times. Great strides have been made towards political equality by the extension of the franchise, women's suffrage, proportional representation, the referendum, etc. Absolute monarchies have had their wings clipped or their heads cut off; the privileges of non-elected second chambers have been curtailed, and responsibility of ministers to parliament has been established in many lands. The payment of members theoretically opens the way to high political position to the poorest, and party organization has enabled working men to enter upon and go far across the political field. Finally, the scope of democracy has been extended from the national to the local sphere, and democratic local government has great powers in some countries. Thus, so far as political machinery can give it, we have secured government of the people, by the people, for the people.

To political equality we must add legal equality. The principle that all are equal in the eyes of the law has been given general assent. One parliamentarian may be fined for disloyal utterances, another for not sending in an income-tax return. A trust magnate may be prosecuted for restraint of trade, an eminent novelist for hoarding food in war-time. Even although in practice the legal system may fall short of perfect impartiality, and although the cost of litigation may keep the poor plaintiff out where the rich goes in, society has nevertheless moved far in a century towards the ideal of absolute justice.

Thirdly, the barriers between poverty and knowledge have been broken down, and equality of opportunity in education is accepted as a principle of statecraft. Free elementary education, scholarships for secondary schools, technical colleges, and universities, and the W.E.A., have opened a highway of education on which the poorest may travel far. Public libraries, a cheap press, the spread of theatres, the growth of choral societies and orchestras in provincial towns, all help to break down the monopoly of education and culture formerly enjoyed by the well-to-do.

Thus in the political, legal, and intellectual spheres, liberty, equality, and democracy have made rapid strides. Yet side by side with all this progress, there has been a trend towards economic inequality and despotism. This is largely the result of the Industrial Revolution, which gave to men possessing supplies of capital the leadership and control of the new industrial system. Capital bred capital; much of the wealth produced passed to the owners of capital in the form of rent, interest, and profit; private property became a much more important thing than it had ever been in previous forms of society, and inheritance passed the accumulated property down from the generation which made it to generations which merely enjoyed it.

Economic Inequality and Economic Classes. From this new form of economic organization certain results emerged. Firstly, there was a marked cleavage of classes, which seemed to grow wider and more permanent with every decade. One class lives by the receipt of rent from land, agricultural or urban. The landlord class reached its highest point in England and Wales, where it was estimated in the seventies that half of the land was owned by 4,000 people. The worst form of landlordism grew up in cities; the growth of industries and commerce, the coming of roads, railways, and population, all increased the value of sites and the consequent rents beyond recognition. Another class is that which receives interest or profit on the capital which it owns; in some cases the owner of that capital personally directs its use, but with the growth of the joint stock company the manage-

ment of capital has passed largely into the hands of paid servants—managing directors, etc.—and the shareholders receive their dividends, possibly without ever having been within 1,000 miles of the place where the money is invested. Lastly, there is the class of salaried or wage-earning employees, who, owning neither land to work not capital to invest, sell their labour in order to live.

Secondly, the distribution of wealth amongst these economic classes is unequal. It has been estimated that in 1908-9 one-half the income of the United Kingdom went to 39,000,000 people, whilst the other half went to 5,500,000. In the early nineties of last century Charles Booth discovered that over 30 per cent. of the population of London were living below the poverty line of a family income of 21/- a week, and there is little reason to doubt that the percentage had been seriously reduced in 1914. The Australian wealth census of 1915 discovered that of the 2,200,000 people (chiefly adults) who furnished returns, 17 per cent. owned 87 per cent. of the total net assets, and 10 per cent. received 40 per cent. of the net annual income. In 1910 47 per cent. of the total national income of the United States went for wages and salaries; the remaining 53 per cent. was absorbed in rent, interest, and profit. Every country has its millionaires, with every gradation of personal wealth from them down to the very poor. Some fortunes have been the reward of enterprise, risk, adventure, hard work, self-denial, the ability to forecast possibilities, to seize on a profitable resource, or supply a new popular demand; others are the fruits of luck, of grinding the faces of the poor, or of a consistent neglect of most of the ten commandments. But inheritance allows the wealth thus created to pass on into hands which have done nothing to create it and do nothing but spend it. The poor meanwhile pass on their legacies—hard work, drab surroundings, and possibly stunted physique, health, and outlook. This inequality cannot be explained away by asserting that the poor owe their lot to drink, vice, or laziness. Drink, vice, and laziness find equally devoted worshippers amongst the rich. Further, the inequality of income flouts itself in the public gaze nowadays. The big shop windows, with their display of expensive clothes and jewels, the sumptuous motor car, and the other evidences of wealth and what wealth can give are more ostentatiously displayed than formerly, and therefore excite the envy of the many.

Thirdly, inequality has disastrous effects on the stamina of rich and poor alike. Poverty means slums and over-crowding. It was ascertained in about 1905 that one-fifth of the population of Glasgow was living in one-roomed tenements. During the Dublin strike of 1913 two houses simply tumbled down, and inquiries revealed the fact that thirteen families had been residing there. Slums take heavy toll in mortality. In Paris in 1912 the death-rate was 7.9 per 1,000 in an aristocratic suburb and 33.5 in a poor region; for London the figures were 11.3 and 50. This mortality was heaviest amongst children, and in France three-quarters of the infantile mortality was due to preventible causes which mostly found their explanation in poverty. Some diseases pass by or touch lightly all but the poor; over-crowding, ignorance, bad or insufficient food, and the inability to afford the services of a doctor enable epidemics to run riot, and small ailments become serious. Mental deficiency, crime, and suicide can in a large percentage of cases be traced to poverty, and while drunkenness is sometimes the cause of poverty, it is often the result of fatigue and semi-starvation. The war, with its revelations of wide-

spread physical unfitness, showed the chief belligerents the price they pay in ill-health for slums and low wages. On the other hand, excessive or unearned wealth may have equally disastrous effects on its recipients, who in many cases have no occupation to prevent them from becoming mentally and morally flabby. Professor Irving Fisher describes American conditions as follows: "If the poor are too hard-working the rich are too idle; if the poor are underfed, the rich are over-fed; if the poor have the discomforts of squalor and shabbiness, the rich have the discomforts of excessive attention to personal appearance; if the poor suffer from overcrowding, the rich suffer from the burden of over-grown establishments; if the poor drink alcoholics to get rid of fatigue, the rich drink them to get rid of ennui." Yet the rich bear these burdens with bacchanalian fortitude, and resolutely refuse to be relieved of their load.

Fourthly, inequality produces an industrial despotism. Although every capitalist would admit that capital without labour would be useless, the control of industrial conditions remains nevertheless largely in the hands of the man who provides the money. He alone has a voice in deciding the policy of the business, although his decisions may seriously affect those in his employ. True, in recent decades trade unions have secured some control over labour conditions, and industrial legislation has compelled employers to conform to certain standards. But in big matters of policy labour and the state have little voice. This growth of an economic autocracy is in marked contrast to the growth of political democracy. In politics a man is a "free and intelligent elector" whose vote is sought for with great zest. In industry he is a "hand," so much "labour power," an impersonal item in the cost of production. This contrast is all the more important because of the control which the economic rulers are able to secure over those institutions by which political democracy tries to work out its will. Parliament, ministers, and the press may be nominally servants of the people, but are really under the thumb of "big business." Rich men get into parliament, or secure the return of their nominees. Contributions to party funds, presents of shares or "tips" about impending stock exchange or real estate movements may be given, conditionally upon the passage of certain laws, the repeal of others, or the steering of administration in some desired direction. In its hunt for new markets, concessions, or fields of investment, big business sets to work to exert its influence on the country's foreign policy, and by reason of the apathy of the general public towards foreign affairs may successfully push its claims, even though such claims cause international friction and war. Wars are trade wars; treaties give trade spoils to the capitalists of the victorious side. Big business may buy control over important newspapers, or by threatening to withhold advertisements compel a paper to desert a line of criticism and propagate its ideas. In this way especially it may create a fictitious "public opinion" and secure its ends under democratic guise. The result is to make political democracy little more than the tool of economic despotism. Hence in industry and politics alike we reach the condition of employment and government of the people by the few for the few.

This condition the socialist calls "wage-slavery," and declares that political freedom is useless to the wage-earner, who is economically unfree. True, the wage-slave may be far more comfortable than the chattel-slave of earlier centuries, and his standard of life much above that of the land-

owning French peasant or Russian moujik. Capitalism, it is admitted, has raised the level of life considerably. Large-scale production and power-driven machines have created vastly increased quantites of wealth, and the labourer has secured some of this wealth; shorter hours have been made possible, and a higher standard of pleasure and education has been realized; travel is cheaper, quicker, and safer; famine and pestilence on a large scale had few terrors before 1914; disease has been brought more under control, and the average expectation of life is probably fifteen years longer than before the Industrial Revolution. But although the bed has been made more comfortable, the shackles of slavery has been riveted more securely on the wrists of the wage-earner. He gets more to live on, but is completely dependent for his living upon the owner of capital. That is what hurts—not merely inequality, but dependence.

To these economic criticisms moral and aesthetic ones can be added. Capitalism is bad because it panders to the selfish rather than the altruistic; it subordinates public service to private gain, and makes men fight each other like wild beasts. It places the making of profit above the making of good commodities, and thus debases art and craftsmanship. It destroys all that is fine in human nature, and its dominating instincts are acquisitive rather than creative.

The Cure. In his criticism of existing society, outlined imperfectly above, the socialist frequently joins hands with others who, although as vigorous in their condemnations as he is, have very different ideas as to the cure for the disease or diseases. Many of these non-socialistic critics urge partial remedies for specific complaints, though others believe they have found a panacea. Some urge the public to support independent papers, which will refuse to be bound and gagged by those who advertise in their columns. Others believe that greater publicity and more democratic control in diplomacy will check the use of the foreign offices for furthering commercial and financial interests. Others find in the legal minimum wage, housing and town-planning laws, a ministry of health, state resumption of land for allotments and small holdings, heavier taxation of large incomes and bequests, better educational facilities, the single-tax, and a hundred and one other devices, a partial or complete remedy for the ailments of society. Some seek to transform the despotism of capital into a limited monarchy by the adoption of co-partnership schemes, while not a few declare that the remedy is to be found in a spiritual revolution, and in the thorough application of Christian principles to industry and politics. The believers in each of these proposals organize themselves into groups or societies, each of which works feverishly for a time, regardless of, or suspicious of, all the other groups. A little success may be gained by legislation or voluntary action, but the energy is gradually dissipated in face of the absence of any big results. A new panacea is then discovered, and the pessimists, optimists once more, again throw their zeal into an agitation which is to bring heaven to earth. And so the movement of "social reform" travels along its spiral path, getting very little forrarder.

On all this effort the socialist looks with scarcely concealed contempt. These people are wasting their time, even assuming that they really wish to do good, which he often doubts. Either their aim is so to patch up capitalism as to keep it alive and postpone the day of judgment, or their sincere efforts are rendered futile because before prescribing a remedy they have not fully and accurately diagnosed the disease. The disease,

says the socialist, is not poverty, slums, secret diplomacy, and drunkenness. These are the accompaniments, the results of the disease, just as toothache is the result of a decayed tooth. The disease is capitalism—an economic system in which a few are enabled, by reason of their ownership of the means of production and exchange, to appropriate most of the advantages of industrial effort and progress, giving the labourers just sufficient to keep them alive at the current standard of living. And since character, social and moral standards, political and legal institutions are determined by the economic environment, all the evils and aches of individual and corporate life have their ultimate cause in capitalism. The remedy, therefore, is not to waste time attempting to assuage the toothache by applying pain-killing liquids, or by any social reform "stopping," "filling," or "crowning." The only real cure is to have the tooth out, and replace it by ——. Here the metaphor breaks down, for socialism is not to be a false tooth, but the result of the true and inevitable development of society. Just as slavery gave place to feudalism, and feudalism to capitalism, so will capitalism give place naturally to socialism.

Books Recommended. Macdonald, J. R., "The Socialist Movement"; Spargo, J., "Socialism"; Kirkup, T., "A Primer of Socialism"; Spargo and Arner, "Principles of Socialism"; Snowden, P., "Socialism and Syndicalism"; Ensor, R. C. K., "Modern Socialism."

CHAPTER XX.

UTOPIAN SOCIALISM.

Having reviewed the socialist's criticism of capitalism, we must now consider the alternative which he proposes. The critical stage was rapidly followed in the minds of most socialists by an attempt to construct on paper an alternative and better plan for society, and in spite of the refusal of such men as Marx to indulge in "Utopia-mongering," the desire to paint pictures of the socialist state has been most fascinating. Before studying these pictures, it may be well first to define as accurately as possible the term "socialism."

The word was first used about 1833, and from that time onwards rapidly passed into the common currency of economic discussion. It was applied at first to those schemes of social reconstruction advocated by Owen. It was then used loosely to describe all attempts to assert the rights of society over the rights of individuals. The man who pleaded for a greater application of Christian principles to industrial and political life became known as a Christian Socialist, though on any precise definition of the word he was far more Christian than Socialist. Schemes for the regulation of industry by the state, factory acts, insurance and old-age pension provisions, free education and libraries, all were grouped together as socialistic. The phrase, "state socialism," came to be applied in Germany to the whole scheme of industrial regulation devised during the period of Bismarck's rule, and a man who believed in this extension of state control over private life and industry could declare with airy confidence, "We are all socialists nowadays." But to the full-blooded socialist all such uses of the word were abhorrent. Marx and Engels in 1848 looked with profound contempt on the schemes of Owen and the Christian Socialists, and preferred therefore to describe their faith as communism. Since that time the exact meaning of the word has become more precise, and there is a clear line drawn round it to define its meaning. The drawing of the line has been impeded by the utterances of those who regarded socialism as a child of the devil. For seventy years socialism has been a bogey, fit to stand alongside evolution, republicanism, and the I.W.W. To some it meant robbery, and the socialist was described by the Corn Law Rhymer, Ebenezer Elliot, as "one who is willing to give up his penny and pocket your shilling." There was a belief that socialism meant the coming of a great dividing-up day, with its equal division of unequal earnings; to others, including Lord Rosebery, it meant atheism, the end of marriage, the end of the family, the end of property, the end of all things. Socialism stirred fear and hatred amongst its opponents, whilst rousing a sense of joy and happiness in its disciples. Herbert Spencer, the high priest of individualism, died in the belief that socialism would triumph inevitably in spite of all opposition, but would be the greatest disaster the world had ever known, and would sooner or later be brought to an end by the establishment of a military despotism. On the other hand, men like William Morris saw "A wonderful day a-coming, when all shall be better than well," and such a belief has given millions a religious faith and fervour which Christianity failed to provide.

Socialism—A New Social System. From this mass of vague prejudices and superficial opinions we can turn to the definition of the word as given by its leading advocates. All are agreed on essentials. Socialism is a proposed economic system in which private ownership of property, with its consequent private appropriation of rent, interest, and profit disappears, giving place to social ownership and control of the means for the production of wealth. In this way the work of the world would no longer be dependent on the desire for private profit, but would be so shaped and directed as to serve the well-being of all who work. Life without work and comfort based on exploitation would vanish; all must do their bit, and then the man who does not work will not eat. Work will be compulsory, but men will do it gladly, since they feel that they are working for the welfare of society as a whole, and not for the maintenance of a small class of more or less idle rich.

So far there is general agreement. But when one turns to some of the important details of socialist construction one encounters great diversity of opinion. This difference of ideas about ways and means frequently causes schism in the body socialist, equal in its intensity and bitterness to that prevailing in organized religion.

For instance, the question has to be faced, Shall the socialist system work through the state, through local administrative units, or shall the industries be owned and managed by those who work in them? Shall the state survive in its present or a modified form, or shall it disappear entirely? Will there be any place for voluntary organization? To the anarchist and syndicalist the state is the root of all evil, and must be removed along with its master—capitalism. To others the state, fully democratized, will play a big part in the administration of the socialist society, but there is no substantial agreement on the matter. Secondly, on what basis is remuneration to be made for services rendered? Louis Blanc and Bernard Shaw have urged that the abolition of envy and class distinction can only come with the recognition of the principle of equal pay for all. Since all will be doing work necessary to the well-being of society, let all be paid the same rate. Other socialists have urged payment according to capacity, talent, output, with prizes for those who get to the top, but with equality of opportunity for all to get there. The German Social Democrats in 1875 said that all should enjoy the results of their labour "according to their reasonable wants," but there is much room for dispute as to what are "reasonable wants."

Again, to what extent, if any, are men to be allowed to own property? Some would deny the right to hold any property, except such personal things as clothes; others admit the right to own a house, garden, motor car, and other essentials to personal comfort and enjoyment, but forbid the existence of any property which will enable a man to take toll of others—*e.g.*, a second house to be let, thus creating rent and interest, or machinery to be worked by others for the benefit of the owner. Opinion is now largely in favour of the recognition of private property in goods for use, but averse to private ownership of goods used for production. Here the socialist strikes a difficulty. In many countries peasant proprietorship prevails, and the peasant owns the land on which he works. He pays no rent to any landlord, and capital, land, and labour are provided by the same man. Here then theoretically there is no exploitation of labour. Shall the peasant be deprived of his holding when the socialist state is ushered in? This question bothered the German Social Democrats for decades, and their failure to

secure support amongst the rural population was due to their talk of the socialization of land. Eventually, after the set-back received in the election of 1908, it was decided to exempt land owned by the cultivator from socialization, and although this decision helped to secure more support from the peasants it knocked a big gap in the wall of the socialist structure.

Finally, when the question is raised, "How shall the transition from capitalism to socialism be made?" there is a great difference in the answers given. The early socialists believed it would be made by convincing men of the errors of competitive industry, and by setting up model communities which would act as pioneers and examples to mankind. Others thought the day would dawn in revolution, with violence and confiscation. In the stormy political days of 1848, and even later, this belief had many followers, and though it passed into the shadows when socialists turned to political effort, the misery caused by the war and the example of the Russian Revolutions brought the belief in force forward once more. Others have sought a way through political action, and have hoped by securing control over governments to introduce socialism by instalments. Not a few regard all thought on the matter as a waste of time, since capitalism will some day break down of its own weight, cut its own throat, and the path to socialism will then be made clear to those who live in that happy day.

But these points of difference do not destroy the general unanimity as to the foundation on which the new society must be built. Social ownership is the common thread running through all schemes and proposals. Further, all socialists agree that the establishment of society on such a basis will result in the creation of a new kind of individual and social life. Liberty will become a real thing instead of a word. Selfish motives of conduct and effort will be replaced by a sense of altruism and social service; intellect, character, happiness, the arts and sciences will be freed from monetary and mercenary considerations, and all will have that freedom to develop their tastes and personalities which is enjoyed by very few to-day. International relations, liberated from commercial influences, will foster a sense of human brotherhood, and men of all nations will dwell in peace, free from the terrors of poverty, oppression, and war. This belief in the magic healing properties of socialism gives to the movement a spiritual character, and supplies to its adherents the solace, inspiration, zeal, and at times dogmatic fanaticism which others draw from religion. The Kingdom of Heaven will come to earth, bringing joy, happiness, and all the pleasures of life, intellectual, moral, and physical. And the name of the Kingdom shall be Socialism.

The Schools of Socialism. Socialism has had no lack of preachers and prophets, who can be divided roughly into three schools. First in historical order were the utopians or rationalists, who sought for some new principle on which to base society—some law of Nature—and then painted a glowing picture of a perfect society based on that law. To them all that was necessary was to discover this right principle, ordained by God (or reason) but now buried under error and vested interest. Then, when men saw the truth, and realized that existing society was built on a wrong foundation, they would gladly throw in their lot with the advocates of the new economic and moral world. The conversion would be all the quicker if one or two self-sufficing communities could be established on the basis of right principles; these communities would be successful, and would serve as object-lessons to mankind. In short, the evils of society were due to

man's ignorance of true social principles; once show men the light, and they would desert darkness and follow the new gleam. The only question to be answered, therefore, was "What is the true light?" To this belief in the power of reason, the utopian or rationalist socialists added a firm conviction in the omnipotence of environment. Men were naturally good, but their characters were formed for them, not by them. "We are the creatures of external things," said one writer, and if man had developed badly the fault lay in the economic and social environment. Change that environment, and individual character would be altered accordingly.

Opposed to the rationalist school was that which found its justification and faith in a historical and analytical study of the development of society. This historical school asserted that all history was a struggle between economic classes, and that the position and character of those classes was determined by the prevailing methods of production and exchange. Applying this generalization to the 19th century, it was pointed out that capitalism, the system in which the class struggle reached its climax, revealed inherent tendencies which would some day cause its collapse or overthrow. When that day came the inevitable historical next step would be taken, and socialism established. The difference between the utopian and historical schools was, therefore, that whilst the former sought salvation by converting men to belief in a new ideal, the latter saw socialism as the certain outcome of material changes. The former pinned its faith to spiritual and rational changes—mental conversion, the discovery of truth, the influence of examples; the latter clung to material changes, and foresaw in the breakdown of capitalism the collapse of a machine which had worn itself out.

Between these two schools we can place a third, which may be called opportunist or reformist. This school had no illusions about the possibility of a general or immediate conversion to right principles, or the value of one or two isolated model communities. On the other hand, it did not expect any early or complete cataclysm of capitalism. It declared that socialism would not come inevitably of its own accord, and meanwhile men had to face things as they were. Therefore, whilst preaching the social gospel, let every possible effort be made to secure the extension of state ownership or control. Socialism would come, not born in a night and a day, but by the gradual spreading out of state power, here a little, there a little. Such work would need the assistance of a sympathetic parliament; therefore let socialists strive to obtain control of the reins of government. Once having done so, definite steps might be taken on that long road which leads to full social ownership. Socialism by instalments, coming as public opinion gets more and more accustomed to the idea of state ownership; a gradual transformation, with experience accumulating at every step—these are the proposals of this third school. They are not heroic; they make little appeal to the imagination, and seem pale and wan alongside the mental revolution of the utopians and the economic revolution of the Marxians. But at least they give men something to do to-day; they make no false assumptions about human nature; they preserve men from the sourness which comes from merely negative criticism; they allow time for each advance to be tested by the acid of experience, and permit of that steady growth, backed up by a body of popular consent, which is the essence of all permanent progress.

The Utopians. Utopia-building has always been popular among critics of any existing order. In ancient times we have Plato's "Republic." The social and religious unrest of the 16th century drove More to write his

"Utopia," and the conditions created by modern capitalism soon produced a long line of social architects, ranging from Owen and Fourier to Morris, Bellamy, Wells, etc.

Of these modern men Owen was by far the biggest in his influence on his contemporaries. He began his career as a reformer by creating better conditions for his employees at New Lanark. From this welfare work he passed on to bigger ideas, and gradually evolved a theory as to the importance of environment in shaping character. The industrial depression of 1815-18 convinced him that an economic society based on competition, private property, and unequal distribution of wealth was contrary to all sound laws of Nature. Society should be founded on co-operation, organization, and justice, with the welfare of all as its motto, instead of the selfish interest of each. If only men would accept such guiding principles, and strive to build society upon them, a vast revolution would take place, and the millennium—the new moral world, as Owen called it—would dawn.

To convert men, to get them back to first principles, therefore became the central aim of Owen's life, and from about 1820 onwards to his death in 1857 he lived the life of an indefatigable propagandist. Through newspapers, pamphlets, lectures, and debates he sought to spread a faith which gradually became known as socialism. He appealed to rich and poor alike, in the new world as well as the old. But he did not stop at mere words; he determined to convince by the example of a few successful model communities based on his principles. The general character of such communities is shown in the articles drawn up for the London Co-operative Society in 1825. This society was to establish a self-sufficing community near London, with "mutual co-operation, community of property, and equal means of enjoyment" as its basic principles. There was to be complete democratic government, with full right of private opinion and judgment on all matters. Equality of the sexes was to be ensured, and women were to be eligible for the best education for all positions; they were promised freedom from "the domestic drudgery of cooking, washing, and heating apartments, which will be founded on scientific principles on a large economic scale for the whole community," and children would be looked after by the community through voluntary teachers and nurses, aided by the parents. Each person would be free to choose his own trade or occupation; no one was to be required to follow any employment injurious to his health or unpleasant to his feelings. All unhealthy or repulsive occupations which could not be performed by machinery or scientific means, or be so modified as to be rendered no longer unpleasant, or which could not be carried on by volunteer labour, were to be utterly banished from the community. An eight-hour day was to be instituted, and the length of the working period reduced further as production became more efficient and rapid. In order to prevent the evils of specialization all engaged in industries were to learn something about farming, and *vice-versa*. Domestic service was to be rendered by volunteers, or by the youth of the community in return for their up-bringing and education. In all work beauty and utility were to be the aim, rather than profit. The community was to renounce "all the advantages, or, as we esteem them, the evils of trafficking or mere commerce; we renounce profit, which implies living on the labour of others; we will not become a trading and accumulating, but we will be and remain a producing and enjoying community." Food, clothing, and furniture were to be distributed equally to all the members from the general stores and kitchens. Each adult was to have two

rooms, but might, if he wished, take his meals in the communal refectory. The abundant leisure-time was to be devoted to education and amusement. The art of preserving health would to a great extent supersede the trade of curing diseases. Lastly, the community was to number about 2,000 souls.

Many such schemes were formulated during the second quarter of the century, and some of them put into operation. In the United Kingdom and North America small self-governing communities were set up, based on the principles laid down by Owen, or on an amalgam of Owenite and religious ideas. In all cases the result was the same—failure. The reasons were easy to discover, but difficult to avoid. In the first place, a large sum of capital was necessary to provide all the buildings, equipment, and land, and in most instances an adequate supply of money was not forthcoming. Secondly, the inhabitants were a curious mixture of vagabonds, won't-works, adventurers, honest, conscientious hard-workers, and impracticable enthusiasts. The idlers lived on the workers, the leaders lacked organizing ability, old prejudices survived in spite of new surroundings, and environment failed to act as a philosopher's stone, converting bad characters into good ones. Thirdly, it was impossible to shut the community off from the outside world; transactions had to be made with the children of Mammon, and when hard times came to the settlement the savoury odours from the flesh-pots of the big world outside tempted the weaker brethren away. Lastly, many communities were established and financed by some Owenite convert, and their success depended largely upon him; hence when the benevolent despot died, as was the case at Orbiston, near Glasgow, or gambled away his estate, as happened at Ralahine, near Limerick, the whole community quickly collapsed. The experiments based on religious beliefs lasted longest and had most success, but such success usually came only when the first high principles had been abandoned for more work-a-day rules.

Of other utopians one need say little. Saint-Simon (1760-1825) established a school of thought which saw salvation in the abolition of private property and the control of industrial activity by an all-wise government. Proudhon thought liberty and justice would come with a system of exchange from which money was excluded, and many people in England and France were of the same opinion. Fourier (1772-1837) worked out in great detail a model plan for society, which was much more radical in many respects than that of Owen. He declared that perfection could come only in a society which gave men full freedom for the development of all their faculties and passions. Such a society he painted in his picture of the "phalange." The swollen cities were to be deserted, and men settled in groups of 400 families, each group dwelling on a block of land nine square miles in area. All were to be housed in a big hotel; those who wished could have their meals in common dining halls, but suites of rooms were to be allowed to those who valued privacy. All were to be free to choose their own occupation, industrial or agricultural, and the land round the hotel was to be an intensively cultivated garden. Labour was to be made attractive, and men were to be free to change their occupations when they wished. Capital could be privately owned, but must be invested in the phalange. Out of the wealth produced all were to receive an adequate minimum amount; what was left was then to be shared between capital, managing ability, and labour; those doing unpleasant or hard work were to get the greatest share, those engaged in pleasant tasks being satisfied with a smaller amount. Women were to be economically free, receiving a share

of wealth equal to that given to men. Theatres, temples, picture galleries, ball and concert rooms were to be provided, and the pleasures of life made accessible to all. Each phalange was to have its own ruler, and as such communities grew in number they were to be federated in a world-wide union, with a universal elected ruler dwelling in Constantinople. Fourier appealed to some rich man to come and provide the money for the establishment of the first phalange. For twelve years he sat in a room one hour a day waiting for the philanthropist with a million francs to turn up; but he waited in vain.

Of later utopians little need be said; all lay down some ideal or principle, on which they proceed to build up a perfect society. The reader will find much that attracts in the joy of art and craftsmanship underlying William Morris' "News from Nowhere"; he will probably be repelled by the hard matter-of-fact perfection of Bellamy's "Looking Backward."

Weaknesses of the Utopians. The weak points in the Utopian armour were seen in the reasons for the failure of the Owenite communities. The naïve belief in the omnipotence of reason led to their undoing. Men are very slow to accept a new principle, and even slower to act on it. Those who make a profit or hold power will always think that the existing system is perfect and based on the only true foundations, and the victims of a system will often cling to it for fear of falling out of the frying-pan into the fire. Man is not a rational animal; sentiment, conservatism, fear, intellectual inertia, and vested interest are stronger than that reason on which the Utopians based their hope of ultimate perfection. Secondly, the importance of environment was over-stressed, and, even admitting that a changed material order would produce a better mental and moral standard, the change would take generations to work out. Thirdly, it was well-nigh impossible to cut adrift from contemporary society, and establish communistic oases in the midst of the capitalistic desert. There could be very little hope of overthrowing capitalism by running away from it. A successful community here and there would really have very little effect on the big problems of poverty, exploitation, and private property. Hence, judged by any standard of practical achievement, the result of the efforts of the Utopian socialists was almost nil. But Utopianism, watered down, produced co-operation; its joyous enthusiasm for humanity, its optimism, and its belief that the world can be put right if only we make the effort still appeal to many who find Marx unreadable and Marxism a grim hymn of hate.

Books Recommended. Kirkup, T., "History of Socialism"; Gide and Rist, "History of Economic Doctrines"; Sombart, W., "Socialism and the Social Movement"; Spargo, J., "Socialism"; Beer, M., "History of British Socialism," vol. 1; Morris, W., "News from Nowhere"; Bellamy, E., "Looking Backward."

CHAPTER XXI.

MARX AND MARXISM.

By 1848 the schemes and ideals of the utopian socialists were almost completely discredited. The various model communities had collapsed. The political revolutions of 1848 had been largely supported by contemporary socialists, and their failure placed idealism at a discount. Efforts to put into practice the ideas of "right to work," "labour exchanges," "organization of labour," etc., all broke down under the malevolence of their opponents, the impatience of their supporters, and the awkwardness and lack of organizing ability of the leaders. Hence the notion of revolutionizing society at a jump, of replacing the old errors of competition by the new truths of co-operation, common property, and equality of enjoyment was abandoned; the belief in the power of ideals and reason grew faint, and the old socialism lost much of its hold on men's affections.

But even while the old doctrines were dying, new ones were being born. Economists and historians were beginning to study society as a thing which grows from one stage to another. Darwin was tracing the causes of changes in organic life; German economists were turning to economic history, and endeavouring to discover the principles which underlie society at any stage of its growth and cause changes in its structure. Hegel, the German philosopher, taught that the whole world, moral, social and intellectual, was in a perpetual process of development, and he sought some force or idea to explain this progress.

This new line of thought influenced socialism as fundamentally as it did science and historical study. Society changes; grows; there is no finality or permanence in its institutions; therefore what forces brought capitalism into being, and what forces in capitalist society seem in their operations likely to evolve a new economic order? Further, does the nature of those forces offer any clue to the character of the next stage in social structure? To these questions many different answers were given. Mazzini, for instance, foresaw the world passing from nationalism to internationalism, and declared that the worker, having passed from slave to serf, from serf to wage-servant, would next pass from wage-servant to partner. But the socialist, looking out over the story of social growth, found two things: first, that all society and change were explained by the working of economic forces; and, second, that those forces were now working towards the destruction of capitalism and the coming of socialism. The world was not driven along by the power of ideas or ideals, but by the material economic conditions.

Marx and Engels. This revolution in the whole character of socialism was largely the work of two men, Karl Marx and Freidrich Engels. Engels was the junior partner of the firm; it is impossible to say to what extent he contributed ideas to the new doctrine, but there can be little doubt that his share in the creation of "scientific socialism" was greater than he would have us believe.

Marx was one of the biggest intellectual forces of the 19th century. He did for the social sciences almost as much as Darwin did for biological science. Darwin laid down the doctrine of organic evolution, and tried to

explain how man, plants, and animals have reached their present conditions; Marx laid down the doctrine of social evolution, and endeavoured to explain how economic, political, and social systems have come and gone. Darwin talked of evolution and natural selection, Marx of the economic interpretation of history and the class struggle. Neither writer brought a perfectly new idea into the world, for both had many intellectual antecedents. But both systematized the earlier thought and knowledge, and placed their respective studies on a new foundation. Both have been the subject of intensive comment and criticism, both have been found wanting in their explanation of how changes take place, but both have left an indelible mark on the body of science. They were giants, even if they did not utter the last word on biology and sociology.

Marx was more than a historian and economist. He was a born fighter and propagandist. From 1843 to his death in 1883 he worked unceasingly to rouse the wage-earners of Europe. He probably attached more importance to this work than to his writings. One real movement was worth a dozen theoretical abstractions or programmes, and Marx was therefore at the back of many labour movements. Without seeking the limelight, he supplied them with arguments, manifestoes, and watchwords: he planned their campaigns and outlined their tactics. And all the time he was engaged in collecting material, formulating and expanding his theories, and accumulating manuscript. He burned the candle at both ends, and finally wore himself out. Along with Owen, he stands out as one of the rare big personal influences on the labour movement.

Marx's Life. Marx was born in 1818 at Treves, in Rhenish Prussia. His parents were Jews who turned Christian, and thus he came from the exiled race which gave Ricardo to economics, Disraeli to politics, the Rothschilds to finance, Mendelssohn to music, and Spinoza to philosophy. His father was a lawyer, and he grew up in an atmosphere of comfort and culture. After a brilliant university career in history, law, and philosophy, he was turned from his desire to become a professor by the reactionary tone then prevailing in academic circles, and deserted teaching for journalism. In 1842 he joined the staff of a democratic paper, and soon became editor. His attacks on the Prussian government brought him to blows with the censor; in 1843 the paper was suppressed, and Marx driven out of the country. He went to Paris, the centre of radical and socialistic thought at that time. Here he came into contact with Proudhon, Louis Blanc, Heine, and others, and became thoroughly versed in the ideas of the rational socialists. As joint editor of a German paper published in Paris, he described the lot of the "poor dumb millions, deprived of participation in the fruits of civilization, and shut out by their poverty from the possibility of free development of their powers." But he failed to see any remedy in the fantastic projects of the Utopians. In Paris he met Engels, a young man, 24 years of age, son of a German manufacturer, who had lived for years in Manchester, and therefore knew the results of the Industrial Revolution in England. The two fitted together personally and intellectually as a glove fits a hand, and for the next forty years were the Siamese twins of socialism.

Marx's stay in Paris was short. His newspaper criticized the Prussian government so strongly that Berlin persuaded the French authorities to deport him to Brussels. Here he wrote his first important work, "The Misery of Philosophy," in 1847. In it he riddled the ideas of Proudhon

and other rational socialists, and foreshadowed the theories which soon were to make him a disruptive force in economic thought. He was becoming generally known among workingmen and radicals, and in 1847 the Communist League, an international body working for revolution instead of utopias, sought his aid in framing a programme. Marx and Engels replied by drawing up the Communist Manifesto, one of the most influential documents penned in the 19th century. In a few pages these two men, still in their twenties, laid down a philosophy of history, an analysis of contemporary society, a scathing criticism of the Utopians, a prophecy of revolution, a party programme, and a complete set of battle-cries. Its peroration was a declaration of war and a clarion call to the wage-earners. "The Communists openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Workers of the world, unite!" As a weapon for immediate use the manifesto had little effect. As a forcible statement of new ideas, as the *debut* of Marxism, and as a powder-magazine of phrases it played an important part in the whole subsequent history of socialism.

The revolutions of 1848 failed. Marx, who had gone to Germany again and preached non-payment of taxes and the organization of armed forces, was tried for high treason, and expelled. Paris was made too hot for him, and so in 1849, accompanied by his family, he settled in London. Here he spent the rest of his life, for years in extreme poverty, eking out a scanty existence by journalism. Hard work and the smoking of too many cigars frequently broke his health, and only in later days did the receipt of a small legacy blunt the edge of poverty.

As an active worker in labour movements, Marx exerted great influence. For a time he tried to revive Chartism. During the American Civil War he did much to convert British opinion from its support of the South to a belief in Lincoln and the North. In 1862 a party of French workmen was sent by the French government and the employers to see the wonders of the London Exhibition. Marx used the visit of these men to revive the idea of an international labour organization, and in 1864 the International Working Men's Association was formed. Its aim was to knit the organized workers of Europe and America into a solid body for the protection, progress, and emancipation of the wage-earners, and for six years the "International" was a nightmare to every government in Europe. But the Franco-German War lashed up international hatred, the failure of the Paris Commune broke the French organized bodies, and wranglings on Socialism versus Anarchism tore the movement to pieces. Still the gospel of international labour solidarity was too attractive to be crushed, and was revived twenty years later. In all such efforts Marx worked without stint or thought of himself.

Marx the Writer. In the midst of his varied activity Marx still found time to devote to the development of the ideas embodied in the Manifesto. This entailed a vast amount of reading, and months were spent at the British Museum and elsewhere, reading over a very wide field of literature in most of the European languages. In 1859 he published his "Critique of Political Economy," but was dissatisfied with it, and therefore pushed on with his monumental treatise. In 1862 the rough draft of the first volume of "Capital" was finished, but other activities prevented its publication in Germany till 1867. There were still two volumes to come, but

in spite of sturdy efforts they were never really finished. Illness and family bereavement pressed heavily upon Marx, and he died of pneumonia in 1883. The notes and manuscript of volumes II and III were put into ship-shape by Engels, and published in 1885 and 1894 respectively.

Recent research has shown that to a great extent Marx was indebted to his predecessors for many of his most important ideas. Sismondi, Fourier, Saint-Simon, Louis Blanc, Rodbertus, Ricardo, and others, especially English writers, had already called attention to different points and set out new theories. Marx took some of them, surrounded them with historical and philosophic knowledge, and thus sought to establish a coherent system of economic theory. That system was almost completely framed in Marx's mind by 1847; the only important addition to it after that date was the theory of value, and with this one important exception Marx spent the last 35 years of his life developing the hypotheses formulated in the forties. The Manifesto, written in a style suitable for its purpose, is the most readable of his works; "Capital," which was not intended to be primarily propagandist but rather a scientific treatise on capitalist production and exchange, is hard reading—even for an economics book. Pedantic and laborious in style, abstract in language and method, it has suffered the fate of being much talked about but little read.

The Marxian writings contain a theory of history, a discussion of the economics of capitalism, and a set of deductions about the present state of society and its future development.

The Economic Interpretation of History. Most historians before Marx had regarded history either as a string of unconnected events, or as the story of growth influenced by big personalities, legal, political, and spiritual ideas, racial sentiments, or chance. To some of them material things were shaped by the mind of man. Marx turned this round, and declared that the mind of man, his ideas and outlook were shaped by material forces. As Engels expressed it, "In every historical epoch the prevailing mode of economic production and exchange, and the social organization necessarily following from it form the basis upon which is built up, and from which alone can be explained, the political and intellectual history of that epoch." The idea was not new; it dates back to Aristotle, but remained vague until Marx solidified it in a formula. Under any prevailing mode of producing and exchanging goods men enter into definite relations with each other. These relations create social classes, colour ideas, shape forms of government, laws and codes of conduct. The ideas of the ruling class become the ruling ideas of the age, but with the rulers as with the ruled, "man's ideas, views, conceptions, in one word, man's consciousness, changes with every change in the conditions of his material existence, in his social relations, and in his social life."

Now the mode of production and exchange is constantly changing, by reason of the development of trade, scientific discoveries, mechanical inventions, and new financial usages. When this change has gone a certain distance it finds further progress impeded by the old social relationships. Hence a revolution is necessary, out of which the new forces of production emerge victorious, and on them is built up a new economic, political, and intellectual structure. Thus society is shaped at each stage by the method of producing and exchanging goods; political squabbles are really struggles between rival economic interests; revolutions are the result of conflict

between new forms of production, pushing through to the light, and old social relations.

The Class Struggle. Here then we have a clue, a key to unlock the door of history. Having opened the door, what do we find inside? Struggle, factions, war, civil strife. What is the reason for this perpetual tug-of-war? Given the economic interpretation of history, the Marxian answer is obvious: "The whole history of mankind (since the dissolution of primitive tribal society, holding land in common ownership) has been a history of class struggles, contests between exploiting and exploited, ruling and oppressed classes." The names of the classes may change—freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman—but in all ages the two classes, oppressor and oppressed, have stood in constant opposition, carrying on an uninterrupted hidden or open fight, a fight which always ended either in a revolutionary reconstruction of society at large, or in the common ruin of the contending classes.

Bourgeoisie and Proletariat. With the Industrial Revolution the class struggle entered upon a new and more intense phase; the number of classes was being rapidly reduced to two quite clearly marked sections, and the battle was becoming a straight-out fight between the capitalists and the labourers—the bourgeoisie and the proletariat.

The bourgeoisie were the descendants of those who during the 16th to 18th centuries had accumulated wealth in overseas trade, finance, or industry. They seized the new inventions and discoveries, established factories, and became the lords of the new economic order. Driven along by the stress of competition and the desire for profit, they harnessed nature, gathered the people in from the country to the town, scattered their wares all over the world, and made mankind their market. They secured control over the governing machine, and the executive of the modern state became "but a committee for managing the common affairs of the whole bourgeoisie."

Side by side with this growth of the capitalist class was the rise of the proletariat. Divorced from the land, devoid of any capital, the labourers were herded together in towns and factories, where they sold their labour piecemeal, a commodity like every other article of commerce. Skill and individuality are destroyed by the constant improvement of machinery, and as women and children take the place of men, the latter are forced into the army of unemployed. Hence wages are kept down by competition in an over-supplied market to such a sum as will provide the means of subsistence for the worker and enable him to propagate the race.

Surplus Value. The struggle between the two classes comes from the antagonism between socialized production of wealth and private appropriation of that wealth. In medieval times individuals or families by their own labour and tools produced finished articles. Washing, carding, spinning, weaving and dyeing the wool were all done by the same person or family. This was individual production. The man who provided the labour kept the product of that labour for himself; this might be called individual or labour appropriation, with every man getting what he produced. Now, under the capitalist system, there is socialized production; the division of labour makes one article the product of a hundred men's work. But instead of each of these men getting one-hundredth part of the value their social labour produces, he gets a subsistence wage, determined by the standard of living of the period, and the capitalist takes the remainder. The value of commodities, said Marx, is determined by the amount of social labour

necessary on an average for their production. But of this value the labourer gets an amount sufficient only to meet the contemporary cost of producing and maintaining his labour-power—*i.e.*, a living or subsistence wage. All the rest is *surplus value*, and goes to the capitalist. Capital lives by collecting surplus value, or, in other words, by appropriating for itself the difference between the value of the goods produced by the social labour of many and the cost of purchasing that labour.

The Fall of the Bourgeoisie. From his analysis of capitalism Marx went on to show that there were inherent weaknesses or contradictions in the system which would eventually and inevitably cause its death. The symptoms were many. (1) *The concentration of capital* into fewer bigger piles. The Industrial Revolution had deprived many small capitalists of their independence, and, as the new system developed, big units would swallow up or kill small ones. Small production or exchange was doomed, and the big units would grow fewer and bigger, whilst the smaller and middle-sized capitalists were driven by competition down into the proletariat. "One capitalist always kills many"; with the "constantly diminishing number of the magnates of capital," and the growth of the joint stock company and trust the whole economic life of continents, if not of the world, would pass under the control of a few multi-millionaires. Such a condition, where the millions were at the mercy of the few, would inevitably lead to revolt. The revolt would be hastened when the many saw that the few were really unnecessary to production. With the growth of joint stock companies, actual management of industry passed into the hands of paid agents, managing directors and the like. The owners of capital, the appropriators of profit, had then nothing to do with production; they became the "idle rich," pocketing dividends, tearing off coupons, and then spending hard.

(2) *The increasing misery of the proletariat.* This would be due to many causes. The constant drip of people from the class of small independent producers or tradesmen, the displacement of men by women and children, and the abolition of skill from machine industry would all help to intensify competition amongst wage-earners and keep the industrial reserve army of unemployed at full strength. Hence wages would tend to become level, and the level would be low. Trade unions might occasionally be victorious in their efforts, "but only for a time." Accumulation of wealth at one pole would be accompanied by "accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the other pole." Every reduction in the cost of staple commodities means a reduction in the cost of living, and therefore the subsistence wage can be pushed lower. This misery is accentuated by the frequent crises and depressions, which are due to the inability of the poorly-paid labourers to purchase the goods they produce, and to the anarchy of competitive industry. Hence the modern labourer "instead of rising with the progress of industry sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth." The bourgeoisie, therefore, "is unfit to rule because it is incompetent to assure an existence to its slave within its slavery, because it cannot help letting him sink into such a state that it has to feed him, instead of being fed by him."

(3) *The persistent recurrence of crises and depressions.* Marx regarded crises as due to the inability of the market to keep pace with the growth of production. New capital seeking for profits, rushed into production. But the new goods could not find a market, especially since the

producers had received insufficient wages to enable them to absorb the commodities. Hence came over-production, with industrial and financial stagnation, until the surplus had been disposed of. These depressions seemed to be growing more severe, and possibly more frequent. They showed the inherent anarchy of the capitalist system, and some day one of them might bring the whole economic order down in ruins.

(4) *The growing conscious strength of the proletariat.* Capitalist industry has gathered men together, taught them how to work together, given them a sense of class kinship, inflicted on them common injuries. In its political fights the bourgeoisie has sometimes sought their aid, and thus given them not merely a vote but some experience of political affairs. Hence while capitalism is travelling on its destined path towards destruction, its slaves are learning the lessons necessary for freedom. When the great day comes, therefore, the proletariat will be ready to give the final push which will send private ownership and appropriation crashing down among the debris of earlier systems.

The Social Revolution. When and how will the transition take place? Not till all is fully ready, and capitalism has developed in the ways outlined above. There can be no hastening the day, for "no social order disappears before all the productive forces for which there is room in it have been developed; and new higher relations of production never appear before the material conditions of their existence have matured within the womb of the old society." What would happen on the day of revolution Marx and Engels could scarcely say, except in vague phrases. The Manifesto spoke of the time when the veiled class war would "break out into open revolution" and the "violent overthrow of the bourgeoisie lay the foundation for the sway of the proletariat." The first phase in the revolution was "to raise the proletariat to the position of the ruling class, to win the battle of democracy." The battle might entail barricades, bloodshed, and terror, for Marx did not expect the bourgeoisie, even in England, to surrender without a fight of some sort. Having won its fight, the proletariat would use its political power "to wrest by degrees all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, and to increase the total of productive forces as rapidly as possible." Thirty years later Engels said no nation would put up with production controlled by trusts, and the state would ultimately have to intervene. Beyond this will come a time when "the proletariat seizes political power and turns the means of production into state property." Marx satisfied himself in "Capital" with a sentence which may mean anything: "Centralization of the means of production and socialization of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated." But the question is not really important. What really matters is that the bursting asunder is inevitable. Given certain tendencies inherent in capitalist society, the great day must come sooner or later. There is no preventing it.

Comments. The Marxian system made claim to be scientific; it laid down certain economic laws, some of which governed all recorded history, while others applied only to modern capitalist society. These laws were all-powerful; they worked and would work with the force and certainty of the laws of gravitation. In places Marx was just as abstract, just as dogmatic, just as enamoured of imaginary conditions and illustrations as

Ricardo and the old school of "vulgar economists." But he embodied in his work a lot of historical and statistical material, which was intended to support his conclusions; he had an eye for the gruesome, and collected from the newspapers and official documents of the first 65 years of the century all the harrowing tit-bits of working-class sufferings.

Although capitalism has produced many evils, there is no real moral condemnation of it in Marx. All thoughts of idealism, all notions of justice, fair play, altruism, or fraternity are ruled out of the discussion and left for the Utopians to dabble in. The question is not "What ought to be?" but "What is and what is likely to be?" Socialism will come, not because it is a just form of society, but only because it is an inevitable development from capitalism. Therefore when analysing bourgeois society no condemnation of the individual capitalist is implied; he acts as he does because the system will not let him act otherwise. Increasing misery, the destruction of the middle class, the concentration of capital, the recurrence of crises, all are described, but not denounced on ethical grounds. If capital is a vampire which lives "by sucking living labour," well, it is the system which makes it so, and capital and labour alike are under the sway of the inexorable economic laws.

Marxian Socialism was essentially a working-class gospel. The Utopians had welcomed men of all classes, and had sought to convert the wealthy and educated. But the establishment of scientific socialism was to be the work of the proletariat alone; "the proletariat alone is a really revolutionary class." True, entire sections of the ruling class would by the growth of big business be precipitated into the wage-earning class, or be seriously threatened with such a fate, and when "the day" drew near the more idealistic section of the bourgeoisie would cut itself adrift and join the revolutionary class. But such influx would be small; the "intellectuals" could have little influence, and the fight must be fought and won by the proletariat.

Criticisms. Since Marx's death his writings have been the subject of most intensive examination and criticism, so that to-day there is a vast literature attacking or defending his theses and theories. What Marx said, what he did not say, what he meant, and what he did not mean are topics around which violent controversies have raged—and still rage. The critics are not all anti-socialists or "bourgeois professors"; some of them live in the socialist fold. In 1897 Edward Bernstein, a veteran of German Social Democracy, published a volume urging the revision of the Marxian teachings in the light of recent discussions and developments: he pointed out that Marx the prophet had not been a true prophet, and that therefore his forecasts about the inevitable overthrow must be revised. This heresy brought forth vigorous assertions of Marx's wonderful foresight and accuracy, and so the controversy blazes still; orthodox Marxism finds champions, especially among Bolsheviks in Russia and left-wing socialists in America and Australia. The revisionists and critics are legion; so are the orthodox. Meanwhile the Marxian tenets, being excellent food for revolutionary temperaments, are eagerly devoured by many socialists in spite of all the critics' assertions that the food is bad and indigestible.

To enter fully into a discussion of the rightness or wrongness of Marxism is a task too big for this volume, but the main lines of criticism can be summarized point by point. Those who wish to pursue the matter further must consult the books mentioned at the end of the chapter.

(1) *The Economic Interpretation of history* in its crude form with the prevailing mode of production and exchange and the social organization built thereon as the factor by which *alone* can be explained the political and intellectual history of the epoch, does not stand the test of historical or social analysis. Late in life Engels denied that he had wished to rule out other forces, and said, "We did not always have the time, place, or opportunity to let the other factors which were concerned in the mutual action and reaction get their deserts." In 1895 he conceded that while political, legal, philosophical, religious, literary and artistic developments rested on the economic foundation, "they react upon each other and upon the economic basis." Marx in his third volume pointed out that the economic basis of society in all its essentials might show "in actual life endless variations and gradations due to various empirical facts, natural conditions, racial relations, and external historical influences without number." Modified and watered down like this, the theory comes nearer the truth, which probably is that social structure and growth are determined by the working of many forces, of which the economic is an important one—at times the most important—but not the only one. Marx rendered a great service to mankind by making us realize this truth: he helped to revolutionize historical and economic study. History has had to be re-written: economic history has become one of the most important branches of historical teaching: floods of new light have been thrown on old problems. The modern historian has to show the interplay of economic, legal, political, racial, and spiritual forces, and he can no more ignore the economic factor than the socialist can ignore the non-economic.

(2) *The Class Struggle* doctrine, resting on the economic interpretation of history, found all history was the story of struggle between economic classes about economic issues. The watering down of the economic interpretation theory entails the modification of the class struggle view of history, for if non-economic factors count, then non-economic factors may be the cause of conflict. There is a division of interests between bourgeois and proletarian, especially on the question of wealth distribution; but it is not the only division of interests, it is not the only economic division, and it does not exclude possible unity on religious, national, or racial issues. The struggle between capital and labour is not *the* class struggle; it is *a* class struggle, one of many tugs-of-war in society, and there are issues which either divide society across the lines of class, or bind all together regardless of class. For instance, rich and poor persist in attending the same church, and join hands over any sectarian issue; wage-earners fight side by side with landlords and capitalists in defence of the fatherland; German Social Democrats, after 50 years of Marxism, rallied to protect themselves—and incidentally the bourgeoisie—against Czarism in 1914; six years later the Russian bourgeoisie apparently gathered round the Bolsheviks to protect the country they loved—and, incidentally, the system they hated—against Allied intervention and White Guards. In economics there is a clash between labourer and capitalist; but there is also conflict between capitalist and capitalist, between producer and consumer, between rival groups of producers, between producer and financier, transporter, or middlemen, between wholesaler and retailer, between importer and local manufacturer. In the ranks of labour skilled men look down on unskilled, clerks on manual workers, foremen on subordinates, men on women, white workers on coloured. Then there is the struggle of rival ideas and ideals, which makes solidarity almost impossible. The socialist has little affection for the labourite, the

syndicalist for the socialist, the Marxian for the revisionist or utopian, the Bolshevik for the Menshevik, the active minority for the apathetic majority. Thus, to sum up, the struggle between capital and labour is only one part—an important part—of the general clash of ideas and interests in society. The class struggle and the economic interpretation of history are only true if we accept the doctrine that "economic man" is the whole of man.

(3) The *concentration of production* in a few big units, and of capital in the hands of a few big magnates, was the vertebral column of Marx's explanation of the coming of socialism. In some directions the actual developments have probably exceeded his expectations. The large firm, employing thousands or tens of thousands, is a common feature of industrial life to-day. The trust has brought scores of establishments under central control. But while the big firms have grown in size and number, the middle-sized and small ones are far from being crushed out of existence. Instead they increase in number as rapidly as the population. They may be partly dependent on the bigger places; they may have to struggle hard in bad times; but they persist in multiplying. In them the personal interest and alertness of the owner-manager compensates to some extent for the loss of the economies of large-scale production, and it is possible that these economies may diminish as big concerns get too big to manage and sink into routine methods.

In agriculture Marx's prediction about concentration was completely falsified. Arguing from his knowledge of English conditions, where the small farmer had largely disappeared, Marx confidently expected similar developments everywhere else as a result of the introduction of machinery. In this the wish was father to the thought, for not only could there be no complete social revolution so long as the ownership of land was widely scattered, but Marx knew that the small landowners would be the most bitter enemies of socialism. Therefore, let them be crushed; it would be unpleasant, but good for the development of the antagonism essential to the success of the class struggle. Marx knew little about farming; therefore he did not realize that machinery plays a much less important part in cultivation than in manufacture. Science rather than machinery is the keynote of modern agriculture; rotation of crops, the use of fertilizers, careful breeding, hoeing, pruning, irrigating, etc., all can be availed of by the small man almost as well as the big one. Hence the peasants have given the lie to Marx's prophecy. Everywhere, even in England in recent years, the trend has been towards small holdings and more intense cultivation. This applies not merely to old lands, where many big estates have been subdivided, but also to new countries. Cultivation and ownership go together in the great bulk of these small farms. Faced with these facts, the Marxian apologist points to the mortgages on the peasant properties, or to the fact that the farmers are dependent on the rail, elevator, and shipping capitalists, and the middlemen for the disposal of their goods. But the mortgage is often a stepping-stone by which the man of small capital is enabled to get access to land, work it, and so reach independence; it ceases to be a terror with the development of co-operative credit banks. Co-operation can dispense with privately-owned storehouses, factories, and domineering middlemen; private ownership of railways is confined to very few countries, whilst co-operation or state ownership can reduce the shipping freight question to smaller dimensions.

With the growth of big industrial units Marx associated the concentration of wealth in the hands of a few, and the extinction of the middle class.

Here again he was unfortunate. The joint stock limited liability idea was beyond the stage of infancy when he wrote, but he failed to see its possibilities. Individual ownership of the capital of a big firm is rare, and so whilst there may be great concentration in production there may be, and is, great diffusion of ownership. The shares of most big concerns are owned by a few big holders and by a multitude of small ones. When we add to this the millions of landowners, large and small, the very rich become surrounded by a strong triple guard, ranging from the owner of a suburban allotment right through all the grades of the middle class up to the precincts of Wall Street and Fifth Avenue. For the middle class has no more vanished than the peasant proprietor. It thrives either on successful small or medium-sized businesses, the greatly expanded professions, or on the shares which it holds in big concerns. It is reinforced daily by the men who work up into it from amongst the wage-earners. Here again, then, the Marxian predictions seem to have broken down.

(4) Accumulation of wealth at one pole was to be accompanied by *accumulating misery,* agony of toil, slavery, brutality, and mental degradation at the other pole, and this would eventually stir the organized workers to take things into their own hands. Marx based this prediction partly on the economic conditions of 1800-1850, but also on the assumption of free competition, no state intervention, and a surplus labour supply at hand making resistance by the workers useless. But by 1867 trade unionism was checking free competition, stiffening the courage of the industrial reserve army, and fighting for better conditions. Factory legislation had already done much for women and children, and the blessings of free competition were being everywhere challenged. And yet Marx virtually ignores these new tendencies; instead he predicts iron laws at work turning out magnates and miserables. Again time has proved Marx a poor prophet. Real wages in almost every country increased 50 to 100 per cent. between 1850 and 1900. Wages went up even when prices were falling heavily (1873-1896), but have failed to keep pace with the world rise in prices since 1896. The increase has made the standard of living much higher than 50 years ago. The rich have got richer, but the poor are not poorer. To this the Marxian apologist says that Marx meant relative misery: the rich have gone ahead more rapidly than the poor, and have got more than their share. But this is twisting Marx's whole language and theory. He meant actual, not relative misery; his whole theory of accumulation, industrial reserve army, wages, etc., supported the thesis. And he was wrong.

The misery was to be accentuated by the periodical crises which prostrated the capitalist system. These crises were going to be more and more severe, and recovery from them more slow, until perhaps finally one of them, more severe than the rest, would ring the death-knell of the system. But ever since 1867 industrial fluctuations in Great Britain have become much less violent in inception and character. There has been no great financial collapse to act as prelude, and the conditions during the slack years have been less harsh than in the depressions of earlier decades. Crises and depressions have tamed down instead of getting wilder. The growth of the international market, improvements in transport, the growth of solidarity among financial houses, the restriction of competition by trusts and cartels, all these, as Engels admitted in 1895, have eliminated or strongly reduced the "old breeding-grounds of crises and opportunities for the growth of crises." And so capitalism takes another lease of life.

And the *social revolution?* When will it come? There can be no doubt that Marx for a long time believed that capitalism would work itself out quickly, and so give place to socialism within a few decades. With the fervour of an enthusiast, he believed every sign to be the real one. Revolution was coming in 1848; as a result of the Crimean War; with the Commune of Paris, and probably many other times as well. This belief in an early day of judgment was widespread. During the long depression of the eighties, Engels declared that he could almost calculate the moment when the unemployed, losing patience, would take their own fate into their own hands; the International Socialist Congress of 1896 was convinced that a great commercial crisis was at hand, and therefore impressed upon the proletariat of all countries the imperative need for learning, as class-conscious citizens, how to administer the business of their respective countries for the common good. It may be claimed that the Russian Revolution fulfils the Marxian prophecies. To this one need only reply that the conditions precipitating the revolution were political and military in origin rather than economic; that the peasants, who are the great majority of the population, had not been turned by capitalism into proletarians, and that the revolution has strengthened private property in land instead of abolishing it. (See Chapter XXIV.)

Conclusion. We can now sum up these criticisms. Marxian Socialism depends upon the fulfilment of certain specified historical developments, most of which have not worked out as Marx predicted. There is no such inevitability in any human institution as Marx postulated. Men will not succumb to any force without a struggle, and Marx's chief failing was that he forgot to allow for counter-tendencies. Capitalists gradually began to see that competition was a mixed blessing: so they combated it. They sought for the causes of commercial crises, and finding them partly financial took steps to guard against any subsequent monetary collapse. Workmen, instead of being the passive victims of capitalism, soon began to organize in defence. Each section took steps to protect its life and interests. This makes it impossible to prophesy the line of development. History is strewn with false prophecies; the prophets under-estimate the force of some factors, place too much stress on others, omit to allow for the unexpected, and let their wishes shape their forecasts. All this applies to Marx. He wrote when capitalism was really in its infancy, when the transition from old to new forms was still incomplete, and when, therefore, men had scarcely begun to face the problems created by the new economic order. The wonder was not that in places he was wrong, but that in others he was so nearly right. Still, if socialism can only come when all the necessary developments of concentration, class division, misery and economic stagnation are fully grown, one might say the social revolution is still a long way off; but it is not safe to prophesy.

Books Recommended. Spargo, J., "Life of Marx"; Marx, "Capital"; Marx and Engels, "The Communist Manifesto"; Engels, F., "Socialism—Scientific and Utopian"; Hyndman, H. M., "Economics of Socialism"; Kautsky, K., "The Class Struggle"; Boudin, "Theoretic System of Marx"; Untermann, "Marxian Economics"; Loria, A., "Karl Marx." For the criticisms of Marx, see: Simkhoviteh, "Marxism versus Socialism"; Skelton, "Socialism, a Critical Analysis"; Bernstein, "Evolutionary Socialism"; Vandervelde, "Collectivism and Industrial Revolution"; Seligman, "The Economic Interpretation of History"; Portus, G. V., "Marx and Modern Thought."

CHAPTER XXII.

SOCIALISM IN POLITICS.

Organized labour has moved along three distinct lines—trade unionism, co-operation, and political activity. In some countries it has been driven to take up politics because of the apparent failure of its efforts on one of the other two lines, and has sought to gain its end through the ballot-box. In these countries the driving force has not been so much a desire to create a new social organization as to remedy defects in the one prevailing. Political effort in Australia was not begun under the glamour of any strong new economic faith or creed, though the single-taxer and the socialist played their part. Even in Queensland, where the first Labour Party platform (1890) was full-blooded socialism, a much less ambitious programme was soon substituted. Only gradually did socialistic aims creep into the humdrum labour demands. In other countries, especially Germany and Russia, where the political movement preceded the industrial, a full measure of socialism was demanded from the first. Social revolution and the class war were the popular items on the menu, and only gradually did they become supplemented, and to some extent displaced, by more moderate demands such as figured prominently on labour platforms. If we divide the political movement into two branches, Labour and Socialist, one might say that Labour parties generally became more socialist, and socialist parties more Labour. The pink became streaked with red, the red with pink.

The relations between the political and other movements vary considerably in different countries. In the early days, German Social Democrats looked askance at unionism and co-operation; they feared them as rivals, which would distract the energy of the proletariat and satisfy it with half-measures. Only gradually was it realized that labour must advance by all three methods—or all four, if one adds education—and the relations between the unions and the political bodies therefore became intimate, though each organization had its clearly-defined sphere. In Belgium, co-operation, unionism, and politics were almost inseparable from 1890 onwards, and the keen socialist was an equally keen co-operator and unionist. In England, co-operation and trade unionism grew first, and were not formally connected; the political movement was built up largely by the unions, but the co-operative bodies foreswore all thought of politics until 1917. Then, having decided on the need for parliamentary effort, they determined not to join the Labour political organization but to run their own candidates. In Australia, politics and unionism are inseparable, but both have ignored co-operation. Finally, where Labour and Socialist parties exist side by side in a country there is seldom any official connection between them except of mutual contempt and antagonism.

Beginnings. The political socialist movement could make little headway until the Industrial Revolution had run some distance on its track. A proletariat was necessary, and that class did not fully emerge in England till about 1830, and in other countries much later. Nearly all the "movements" and revolutions up to 1848 were middle-class rather than working-class in origin and character. The English revolution of 1688, the French

upheavals of 1789 and 1830, the Reform Act of 1832, and the European turmoils of 1848 all aimed primarily at placing political power in the hands of the bourgeoisie and their satellites. They were attacks by the new industrial and commercial interests on the power of monarchs, landlords, aristocrats, and the old governing class generally. In the struggle the middle class enlisted the services and support of the wage-earners, but immediately the aims were achieved the alliance broke, and should the poor ask for their share of the spoils they were rudely rebuffed and vigorously suppressed. Liberty, equality, security, and property, these were the watchwords of the revolutions, but each word was interpreted in the middle-class sense, and the greatest of them was property.

Still during the period before 1848 a working-class feeling was growing. At first it expressed itself spasmodically in the burning of mills, the smashing of machines, and in appeals to parliament to stop the march of the factory system. These efforts failed completely. Then came the early co-operative and trade union experiments, and Chartism, all of them influenced by the socialist and anti-capitalist ideas of Owen and others. Chartism, which held the field till 1848, was political in its demands, but economic in its aims. It was a knife and fork question; it wanted better houses, cheaper food, shorter hours, and greater security of employment, and believed these things could be obtained only by overthrowing capitalism in favour of a co-operative commonwealth. That commonwealth was to be realized through a parliament of paid members, elected annually by ballot on a manhood franchise. The Chartists were the first wage-earners to see good times coming through the slit in the lid of the ballot-box. But Chartism failed in 1848, and the leadership of the socialist movement passed to Germany.

German Social Democracy. The Industrial Revolution began in Germany in the fifties, and by 1860 was manifesting many of its worst features. Long hours, low wages, child labour, competition between manual and steam power, all showed themselves. The wage-earner had no voice in local or national government; the right of combination, free speech, and free meeting was denied him; he collided against the police and the law courts whenever he tried to stir himself, and his inexperience of concerted action was a serious handicap. He had helped the middle-class Liberals in 1848, and the Liberals, afraid of his request for manhood suffrage, had soon deserted him. He felt "something must be done," but what exactly he had no idea. Then there descended upon him Ferdinand Lassalle—young, brilliant scholar, dandy, connoisseur of food and wines, society favourite, champion of deserted wives, agitator, organizer, orator, Jew. From 1862 to 1864 Lassalle was stirring up many of the German workers, and filling them with new ideas and resolves. In lectures and pamphlets he preached that the world was entering on a new era, of which the working classes would be the builders and rulers, and declared that the foundation of the new society would be universal suffrage as opposed to the limited franchise existing in Prussia. Lassalle's efforts resulted in the formation of the Universal German Workingmen's Association in 1863, "to work in a peaceful and legal way for the establishment of equal and direct universal suffrage." Next year he was killed in a duel, and for a time his organization made very little progress. Its power was chiefly in North Germany.

Meanwhile in the south a rival body emerged. Here many working men's educational societies were feeling their way toward some radical

policy. August Bebel, a young, self-educated wood-turner, was their leader, and when he fell under the spell of Liebknecht, who had come straight from Marx, the societies soon began to adopt a Marxian creed. In 1869 they formed the Social Democratic Workingmen's Party, with a democratic and Marxian platform. Six years later, at Gotha, north joined south, and the party of to-day was born. Even before Gotha, the two parties had secured political representation. There were two Socialists in the first Reichstag (1871), nine in the second (1874), and twelve, representing half a million votes, in the third (1877). Bebel and his fellows used the Reichstag as a platform from which to attack despotism and capitalism, and their hot words, augmented by the growing socialist vote, stirred fear in the hearts of the rulers. In 1878 two attempts were made on the life of the Emperor, and although the Social Democrats had nothing to do with them, Bismarck seized his opportunity, and struck hard. To him this new party was an enemy of the state and society; its aim was the "subversion of the social order." Anti-social, anti-patriotic, it must be crushed, and this was to be done by the law pushed through the Reichstag in 1878. The Social Democratic organization was declared to be illegal, its collections, meetings, and processions were forbidden, its newspapers and other publications liable to be seized; the police were given the right to place socialist centres in a "minor state of siege," i.e., under a sort of martial law.

For twelve years the ban lay on social democracy; the police were active; and yet the movement lived. Its affairs were directed from across the frontier, its papers and pamphlets smuggled in, and its parliamentary leaders used the Reichstag as the only platform from which they could preach to the millions outside. The socialist vote rose to 760,000 in 1887, and nearly 1,500,000 in 1890. The party came back in the latter year with 35 members, and in face of this manifestation of the folly and futility of repression, the Act of 1878 was thrown overboard.

Erfurt and After. The party at once met again on German soil, and at the congress at Erfurt (1891) adopted a programme to which it still adheres. The first half is pure Marx, the Manifesto boiled down. The concentration of capital in industry and agriculture, increasing misery, more severe crises, growing unemployment, the class struggle, all are set out in orthodox language. But it is recognized that the struggle must necessarily be political in character, and the proletariat "cannot effect the passing of the means of production into the ownership of the community without acquiring political power." The aim of the party is therefore "to shape this battle of the working class into a conscious and united effort, and to show it its naturally necessary end." As means to this end certain democratic reforms must first be obtained, such as universal adult suffrage, proportional representation, the initiative and referendum, freedom of organization, press, and speech. For the workers there must be an eight-hour day, no child labour, thorough factory inspection, freedom to form unions, and an imperial scheme of workmen's insurance.

Such a programme appealed to the socialist proper, to the democrat, and to the man who merely desired better industrial laws. Hence from 1891 onwards the party made steady progress; in 1903 it cast 3,000,000 votes, and returned 81 members. This victory roused the anti-socialist elements, who at the next election (1907) rolled up to the polling booth as they had never done before, in addition to carrying on a strenuous campaign against the red terror. Hence, although the socialists increased their vote by 250,000

they only returned 43 members, much to the open joy of the Kaiser. This result made them think hard and organize harder. They strove to show that they were not dangerous people, made a definite bid for the votes of many who were scared by their programme of socialization, and at the next election (1912) fought on an anti-militarist, democratic, and social reform platform. The result confounded the critics. Social democracy polled 4,250,000 votes, and returned 110 members. One-third of the voters accepted the followers of Bebel as their representatives, and if the seats had been distributed at all in accordance with the distribution of population the party might have come back 150 strong in a House of 397.

Success was not limited to the Imperial parliament. In 1914 there were about 240 members in the various state houses, and 12,000 in the city and local governing bodies. This numerical progress was partly the result of thorough propaganda and careful organization. Social democracy had perhaps the most perfect party machine in the world. Its 80 daily papers, its scores of weeklies and monthlies, and its cheap editions reached millions of homes. Its juvenile department brought up the young in the way they should go. Its socialist college in Berlin gave 30 students each year a thorough course of training. Its lectures, cinema and theatrical displays, concerts, excursions, libraries, and big demonstrations all helped to win converts and strengthen the faithful. Discipline within the ranks of the party was well maintained, and although there were strong differences among the leaders about theory and tactics a solid front was maintained on all essential matters until the outbreak of the war.

Theory and Practice. The twenty years before 1914 witnessed important changes both in the aim of the party and in its methods. The first social democrats were violent anti-parliamentarians; they had no desire to help in making laws, but looked upon the Reichstag as a platform for propaganda and protest. Their votes, if cast, were "again the government," and there was no thought of any alliance with other parties. Gradually, as the party grew, this changed; from the altitude of lofty isolation a cautious descent was made on to the plain—or into the mire—of practical politics. In 1901 a bill was introduced by the party, and passed, much to the disquietude of the old brigade. In the 1909-10 session eleven bills relating to labour, finance, and redistribution were introduced, and 20 resolutions moved. In 1911 the party voted with the Government; in 1912 they joined hands with the Radicals and National Liberals, and nearly succeeded in electing Bebel to the presidency of the Reichstag. In state and especially in local government the party representatives for years played an important part in fostering public enterprise. It had to be recognized that laws would be passed whether the Social Democrats sat silent or not; hence, while not necessarily abandoning the faith in an ultimate ideal, it was necessary to take part in legislation, discuss, propose, amend, and generally guide action into channels as beneficial as possible to the wage-earners. The party still voted persistently against the budget, tariffs, indirect taxation, and increased military, naval and colonial expenditure. But to maintain a policy of complete negation was no longer possible. Critics called this change "compromise," "opportunism." They said stronger things when it was suggested, especially after the electoral set-back of 1907, that the Marxian prelude to the party programme needed overhauling. Bernstein's outburst of revisionism and the denial by others of the existence of any "ultimate goal" caused much heart-searching. The small progress between 1904 and

1907 was attributed to the failure of the Marxian predictions to fit the facts, and the opposition of the peasant and the middle class to a doctrine based on their extermination. Although the Erfurt programme still stood, the prelude counted for very little; little was heard of Marx, much of practical politics and legislation. Whether Marx was right or wrong was a question which worried only a few. What did worry all was the need for drastic reform of the Prussian constitution and the establishment of parliamentary control over the imperial ministers. For social democracy recognized long before 1914 that it was really pitifully weak, in spite of its numbers, so long as ministers were responsible only to the crown. The election of 1912 was fought largely on this issue, but the socialist sweep made little difference to the situation, as the Zabern incident showed. Hence social democracy was driven back after 50 years' effort to the gospel of Lassalle—universal suffrage and democratic control of government. What happened after 1914 we shall see later.

United Kingdom. After the Chartist collapse the British working classes reverted to trade unionism and co-operation. They abandoned any hope of a new heaven, and settled down to make the best of things as they found them. Revolutionary theories possessed little attraction for them, and when Marx expressed his approval of the Paris Commune of 1871 the trade unions severed their connection with the First International. Unionism opened up the way to better wages and industrial conditions, and as employers began to recognize unions and bargain with them on conciliation boards, the bad times of the thirties and forties faded into the background. Trade was growing, wages were rising. Both political parties angled for the working-class vote, using factory laws, the legalization of trade unions, and similar proposals as bait. Hence most workmen were content to leave politics to the old parties, and found in Gladstone their parliamentary hero; for the rest, let the union and the "co-op" do the work. But since the unions were hampered by the unsatisfactory state of trade-union law, it was resolved in 1869 by the Trade Union Congress to work for the return of trade union leaders to Parliament. During the next twenty years about a dozen seats were won, chiefly by trade union officials, who entered parliament as trade unionists and Liberals.

The Ferment of Ideas. In the eighties new ideas were stirring the minds of many. The publication of Henry George's "Progress and Poverty" in 1879 caused a vigorous outburst of discussion on social problems, and the appearance of an English translation of the first volume of "Capital" in 1884 introduced the British public to the ideas of Marx. The long depression of 1885-7 caused widespread poverty, and the success of the London dock strike in 1889 revealed the strength of organized unskilled labour. Out of this discussion and unrest new organizations emerged. In the early eighties Hyndman organized the Social Democratic Federation to spread orthodox Marxism. William Morris, who could not digest Marx, and sighed for the coming of socialism, or perhaps rather anarchism, as the result of a violent revolution, left the Federation, and in 1884 formed the short-lived Socialist League. Hyndman's organization, which later became the British Socialist Party, clung to the letter of Marx, and never had any big following. Morris's League, after driving its founder out, finally disappeared, leaving no trace beyond Morris's socialist writings, especially "News from Nowhere."

These early wrangles were largely concerned with questions of method; should political representation be sought, or should the leaders just preach and wait for the day of revolt? "Organize," said Hyndman; "Preach," said Morris; "Permeate," said the Fabians. Of all the bodies formed in the eighties, the Fabian Society has been mose influential and successful. Organized in 1884 by a group of young middle-class intellectuals, it soon made itself a force in discussing and teaching ideas of social reform and socialism. In Bernard Shaw, the Webbs, Annie Besant, and others it found ready speakers and writers, and its "Fabian Essays" and numerous tracts provided powder and shot for British socialists. To the Fabian, socialism involved "the introduction of design, contrivance, and co-ordination, by a nation consciously seeking its own collective welfare, into the present industrial scramble for private gain." They were social democrats; socialism meant state ownership, but the state must be fully democratic in shape and character. Socialism and democracy would not come by destructive insurrections. Force might be the agent of progress, but it might equally be the agent of chaos, and chaos the agent of martial law. Fabians therefore turned their backs upon any hope of a catastrophic dawn, and directed their efforts towards the permeation of all classes with the socialistic faith. Instead of seeking to establish a separate political party, they tried to infuse into all men a certain point of view and doctrine. As Bernard Shaw says, "We set ourselves two definite tasks: first, to provide a parliamentary programme for a prime minister converted to socialism, as Peel was converted to free trade; and, second, to make it as easy and matter-of-course for the ordinary respectable Englishman to be a socialist as to be a Liberal or Conservative." In this work of converting people entirely, or of getting them to adopt some specific proposals of a socialistic trend, the society was partly successful. It helped to win to socialism many people to whom Marxism made no appeal, and exerted a great influence over the radical wing of the Liberal Party. By voice and pen, in novel, play, essay, and newspaper article its members upset the complaeency of many and exposed the foul spots of British social and economic life.

The Labour Party. From all these varied efforts grew the recognition of the need for a distinct political party, and the Independent Labour Party was formed in 1893. Its moving spirit was Keir Hardie, its object "the collective ownership of all the means of production, distribution, and exchange." Little progress was made for a time, in spite of vigorous propaganda. In 1900 the Labour Representation Committee was formed, containing delegates from the Trade Union Congress, Independent Labour Party, Fabian Society, and Social Democratic Federation. This Committee was to provide parliamentary candidates "sympathetic with the aims and demands of the Labour movement," and in 1900 fifteen were put forward, but only two returned. When, however, the reaction against Imperialism set in after 1902, and the country began to turn from foreign to domestic problems, the new movement made much progress, and in the electoral landslide in 1906 secured 29 seats out of 50 contested. Thus a new coherent Labour Party appeared in the House of Commons, with its own officers and whips, acting independently of other parties. The Labour Representation Committee changed its name to the Labour Party, and in 1907 declared itself in favour of socialism under a democratic state, with complete social and economic equality of the sexes. At the December election of 1910 the representation was increased to 42. Of its members, the chief figures—

Snowden, Macdonald, Hardie, and Henderson—were socialists, though the party as a whole did not go so far as one of its constituent parts—the I.L.P. After 1910 the Asquith Government was dependent upon the Labour vote, and a number of proposals affecting wage-earners were dealt with. But the House of Commons was primarily occupied with Ireland, Welsh Disestablishment, and the House of Lords, and Labour voted with the Government on all these matters. In short, the new party, socialist in its ultimate aim, had to take Parliament as it found it, and try to get small economic concessions sandwiched in between political and constitutional reforms. It was the left wing of the House of Commons, and differed from the radicals of the Liberal Party rather in degree than in kind. Hence many of its supporters, who had expected socialism to fall from the clouds as a result of political action, grew restive. Labour seemed to be only Liberal writ large, and the millennium drew no nearer. Prices still went up, poverty still existed, unemployment was still ever present—and yet the Labour members were being compelled to fritter away their energies discussing apparently unimportant matters. Political action meant the treading of a long, perhaps never-ending, road. Was there no short cut? Yes; direct industrial action. Many of the younger men, therefore, began to listen to the words of the syndicalists and advocates of the general strike. This was the position in 1914. So much had been expected, so little done.

France. Until 1871 the labour movement in France was secret in its organization and violent in its methods. From 1880 onwards organized efforts were made to return socialists to parliament. The French Labour Party, organized in 1880 on a Marxian platform by Guesde, speedily shed a faction, from which in turn another faction split. Solidarity and discipline seemed alien to the French character; only after 1905 was any degree of unity realized among the political groups, and then almost at once syndicalism arose to challenge the whole idea of the state and political action. In 1910 the united Socialist Party secured 76 seats in the Chamber of Deputies, out of a total of 590; but in addition there were 34 Independent Socialists, including Briand, Viviani, and Millerand, men who would not be bound by the decrees of the official party or had been evicted from it. Further, there were 250 Socialist Radicals, more Radical than Socialist; but if these three groups combined they could, as a "bloc," control the House.

This union of kindred parties was the great feature of French politics. In 1899 the Radicals and Socialists dominated the Chamber, and Millerand became Minister of Commerce. This raised the fundamental question, "Should a socialist join a non-socialist bourgeois government?" Guesde said "No." Jaures, the leader of the party, gave a cautious "Yes." But when Millerand voted three times against his party, officially received the Czar, repudiated the ideas of class war and social revolution, and proposed legislation for workers' insurance, conciliation boards, a ten-hour day, the socialists became angry, and in 1905 threw him out of the party. Viviani and Briand joined the Ministry of 1906, and automatically ceased to be socialists, and when in 1910 Briand became Premier, he was regarded by the Conservatives as a socialist, and by the socialists as a tool of the bourgeoisie. His suppression of the railway strike of 1910 roused the socialists to intense fury, and strengthened the party so much that in 1914 it secured 102 seats. No socialist could enter a bourgeois ministry—that was the conclusion reached after years of experience with Millerand and Briand. Then came the war, and Guesde, the ultra-Marxian, the arch-opponent of participation

in government, joined the Cabinet with the consent of his party. Another socialist accompanied him, and in 1915 Albert Thomas accepted the post of Minister of Munitions.

Other European Countries. The Belgians began in 1885 "to organize politically against the exploiters," and had to fight by propaganda and general strike (1893) to secure a vote for all males over 25. But the franchise of 1893 allowed plural voting, and this prevented the followers of Vandervelde from making much progress in representation. In 1913 a general strike of 400,000 workers wrung from the Government a promise to appoint a royal commission to enquire into the franchise.

In Italy, where the first political success was scored in 1892, faction strife was worse than in France. The old school was Marxian, the younger school reformist or revisionist, while after 1905 the syndicalists made considerable progress. The movement won a large middle-class support; in no country did so many professors play a prominent part, and in no land did the agricultural labourers rally so strongly round the flag. In 1913 the various socialist sections won 77 seats; progress was not quite checked by dissension as to aims and methods.

Russian socialism came late; it was influenced by the middle-class struggle for political liberty, and the anarchist movement inspired by Bakunin and Kropotkin. Marxism became popular among the industrial workers, and organization followed. The Social Democrats looked to salvation by organizing the industrial proletariat, but divided on questions of tactics into the Bolsheviks (left wing) and Mensheviks (right wing). The Social Revolutionaries sought to gather in peasants as well as urban workers; they also split into left and right wings. Propaganda had to be done in secret, and was therefore more violent in tone. The socialists joined in the revolution of 1905 to secure political and economic reforms; they figured in the various Dumas, and played a large part in the upheaval of March, 1917. Dissatisfied with the policy of the new revolutionary government, which was more middle-class than socialist, the left wing seized its opportunity in November, 1917, and established the Bolshevik régime.

The United States. North America attracted all the Utopians. Here was virgin soil, vast unsettled areas, and a civilization still plastic; an excellent place for the establishment of model communities. Owen visited the country, Fourier's ideas had great vogue, and for a time the *New York Tribune* devoted much space to advocating communistic experiment. In all, over 400 village communities were established between 1825-50, some of them religious rather than socialistic in their basis. Nearly all failed.

Then came the flood of immigration in the fifties and after the Civil War. In it were many of the revolutionary spirits of Europe, driven out of their native lands. These men brought their rebel ideas with them, and some of them became connected with Marx's International. Marxism became popular among the German immigrants, and in 1876 a Socialist Labour Party was formed with a Marxian programme. But its abstractions failed to win the approval of the wage-earners generally, and it remained largely a German body. It had to struggle against its rival, the anarchists, and yet was generally confused in the popular mind with this body. It quarrelled with the unions, it split in twain, and for a time the two sections denounced each other heartily. Its leading figure was Daniel De Leon.

Meanwhile a more moderate section was growing up west of the Mississippi, and in 1901 established the Socialist Party, with Eugene Debs

and Berger as its leaders. This party grew rapidly, and in 1910 captured the mayoralty and city council of Milwaukee, as well as the mayoral chairs in 29 other centres. It also polled 600,000 votes in the Congress elections, and returned Berger to the House of Representatives, while a few members won seats in the various state legislatures. A strong organization was built up, training centres and correspondence courses were instituted, and scholarly books on theory, history, and practice written by such men as Spargo and Hillquit. While holding generally to Marxian doctrines, the movement had its orthodox and revisionist schools. It was divided also between the revolutionists and the opportunists, the former leaning towards syndicalism, the latter towards co-operation with the American Federation of Labour. But such differences did not prevent the party from making steady progress. At the Presidential election of 1912, Eugene Debs secured 750,000 votes; in 1914, 870,000 votes were cast for socialist candidates to Congress. Two years later the Presidential vote was about 800,000, and a socialist gave a good account of himself in the New York mayoral election of 1917. The war tore the movement in two; the government used its power to gaol such leaders as Debs, and deport or persecute lesser lights, generally on very hollow pretexts. Socialist members were expelled from parliaments, and an unholy inquisition was instituted. Still the movement grows, and in the elections of 1920 the Labour or Socialist elements made a much stronger fight than on any previous occasion.

Australia. Australia had its utopian stage, of which William Lane was the prophet. From 1885-90 this Brisbane journalist worked night and day to organize and educate the workers in Queensland. Marx, Bellamy, Bax, in fact, the whole range of socialist literature, was handed out in tit-bits by him, and as a result of his labours the Australian Labour Federation was founded in 1889. Its programme was the nationalization of all sources of wealth and all means of production and distribution; the pensioning of all children, aged, and invalids; and the just division among all the citizens of all wealth produced, less only that part retained for public requirements or for extending production. To secure these ends an immediate fight was to be made for annual parliaments. The failure of the maritime strike knocked the life out of this movement, and Lane came to the conclusion that the only way to succeed was to go off to some uninhabited spot, and there establish a new model society. Paraguay was the country chosen for the settlement, land was secured, and in 1892 a few hundred bold spirits set out for this South American utopia—New Australia. The project failed dismally. The same old difficulties—lack of capital, grumblings at initial discomforts, and incapable leadership—were encountered. New Australia went the way of New Harmony.

Then came the Labour Party, whose growth we have already traced. That party, from its inception, has contained many socialists, but like such parties the world over has been largely occupied in party tactics, securing political reforms, and dealing with immediate problems. Demands for nationalization of certain industries and for the establishment of state enterprises have gradually assumed a more prominent position on its platforms, and the party throughout the continent has laid down as one of its objectives the "securing to each person the full result of his or her labour by the democratic ownership and control of the means of production, distribution, and exchange." When the party has been returned to power it has

endeavoured, with varying success, to extend the scope of state ownership in many small ways.

The opportunist, slow-going character of the Labour Party has made possible the existence of a distinct Socialist Party in Australia. Marxian in doctrine, revolutionary in tone, this party is weak numerically. Wage-earners prefer the Labour Party, and since that party makes no fuss about Marx or any other writer, is reformist rather than revolutionary, and has to tone down its language in order to get the middle-class and rural votes necessary for winning seats and gaining a majority, the Socialist Party attacks the Labour Party vehemently. From this it passes almost inevitably to an attack on state enterprise and political action, and to adoration of the latest left-wing doctrine—the I.W.W. in 1916, the O.B.U. in 1918, Bolshevism in 1920.

The Second International. To the socialist movement no ideal has been more attractive than that of a great international brotherhood of workers over-riding national frontiers, dynasties, armies, and capitalists. "Workers of the world, unite!" was the battle-cry of the Communist Manifesto. It was also the slogan of the First International, organized by Marx in 1864. The collapse of this organization was followed by twenty years intensive labour activity on purely national lines, but by 1889 the need for international co-operation was being strongly felt. International trade union and co-operative congresses were being held, and in 1889 the socialists of many lands met in Paris in conference. This was the first of a series of triennial congresses held during the next 25 years; in 1900 an International Socialist Bureau was established in Brussels to keep the various national groups in touch with each other and arrange for ordinary and special congresses. In 1914 27 countries were affiliated, and the Stuttgart Congress of 1907 was attended by nearly 900 delegates from 25 lands. At these gatherings of what became known as the Second International, socialist policy was formulated on lines which may be described as "mellowed Marxism." The aim of the movement was an economic transformation, and there was abundant talk of the class war. But although Marxian phrases were used they were understood to have a pink rather than a red significance. The ultimate aim was socialist, but immediate tasks, such as the securing of an eight-hour day, better factory acts, abolition of sweating, provision for unemployment, and a better legal status for trade unions were not neglected. The socialist movement showed itself to be reformist as well as revolutionary. As for the revolution itself, it would come as a result of education, organization, propaganda, and the conquest of political power by democratic means. The Second International was almost unanimously in favour of constitutional progress towards the millennium.

At the congresses discussions on war and peace were frequent. The arguments for international solidarity of the workers were easily marshalled. Modern wars were capitalist in origin; colonial policies were capitalistic policies; the army, navy, press, schools, universities, and churches were all hand in glove with the fortune-hunters. Against this unholy alliance socialists of all nations must unite, and by abolishing capitalism abolish war. To this economic argument was added the sentiment of universal brotherhood. The peoples of the world did not hate each other; they had no desire for war; why then should they consent to be used as cannon fodder for capitalism? On these points there was unanimity. But how could socialists prevent war, pending the establishment of universal socialism? They could

vote against all naval, military, and colonial expansion. They could instil into the minds of their children the spirit of brotherhood and teach them the real causes of war. But supposing a big war threatened the world before these efforts had borne fruit, what then? To this question, Hervé, the French socialist, replied, "Tell the soldiers to strike, desert, or refuse to obey orders." Keir Hardie urged an international general strike, but the Stuttgart Congress regarded both suggestions as impracticable, and decided that if war threatened the workers and their representatives must use every effort "to prevent it by all the means which seem to them most appropriate, having regard to the sharpness of the class war and to the general political situation." Should war break out, they must "intervene to bring it promptly to an end," and then use the resulting political and economic crisis "to rouse the masses of the people from their slumbers, and to hasten the fall of capitalist domination."

Socialism since 1914. This high-sounding resolution proved when tested to be little more than a pious hope. When Austria declared war on Servia, July 25, 1914, the International Socialist Bureau met immediately at Brussels; four days later it called on the workers of Europe to strengthen their demonstrations against war and demand the settlement of the Austria-Servian dispute by arbitration. But the march of events was too rapid for the International. The diplomats on both sides depicted the coming war as one of defence; the press was heavily censored, and hence when the war came all were carried away by the need to "defend the Fatherland." In Germany social democrats became social patriots. In France all pacifist sentiment dried up with the invasion of French territory, and the attack on Belgium was a fact which silenced all words and theories in England. The whole prelude was so short and sharp, the mine was fired so unexpectedly, and the issues were so carefully adorned that the edifice of socialist internationalism was destroyed in a week. Most socialist leaders on each side were eventually sucked into ministerial office and gave their talents and their influence over the workers to the cause of winning the war. Thus the Second International was cut in two, and its members were ranged for the duration of the war in two hostile camps. Attempts to arrange international conferences during the war failed, partly because governments refused passports and partly because socialists on each side refused to meet those from the other. After the abortive Stockholm conference of 1917 inter-allied socialist conferences were held, from which attempts were made to send statements of war aims to enemy socialists. The division between inter-allied and enemy groups ended with the Armistice, and in February, 1919, the leaders from both sides met once more at Berne.

The Third International. The war caused a temporary division amongst European socialists; but it also caused what promises to be a permanent division, a division based not on the opposing groups on the battle-front, but on the foundation of conflicting socialist ideas and ideals. This clash of outlooks was present before 1914, but with the war it grew in intensity, and by 1920 had divided the movement in every country into two bitterly hostile camps.

The schism developed slowly; its first manifestation was the revival of a critical attitude towards the causes of the war. Here and there a few socialists began to assert that all the current explanations of the cause of the war were merely attempts to conceal the fact that the war was at bottom, like all its predecessors, capitalist in origin. The number of pacifist

socialists grew in most countries, though in nearly every case they were a small minority. The pacifist groups met in conference at Zimmerwald in September, 1915, and passed resolutions condemning the war and calling upon the workers to unite in stopping the butcheries of imperialist capitalism. This conference set the ball rolling, and gradually condemnation of the war merged into condemnation of the "social patriots" of Enrope and of the socialist ideals and constitutional democratic methods to which they clung.

Then came the first Russian revolution, in which the socialists played an important part. It was followed by the failure of the Stockholm conference, and eventually the Bolshevik revolution in November, 1917. The Bolshevik leaders had even at Zimmerwald urged the need for a Third International to repudiate the principles for which the Second International stood. Hence in February, 1919, the Second was revived at Berne. In the following month the Third International was definitely constructed at a congress held in Moscow. Since that time these rivals have expended much energy in condemning each other and in appealing for the support of the labour organizations of the world. Let us note, therefore, in what respects they represent different schools of socialism.

Both Internationals agree on economic fundamentals. Both cry "Down with capitalism!"; they disagree when they pass to the cry, "Up with ———!" Both say that socialism (or communism) can only come by "the conquest of political power." But they differ on the methods to be used in gaining that conquest, and on the kind of society which is to be built up when it has been gained. The Second International still sticks to the old-fashioned democratic political method. The conquest of political power means strenuous election campaigns, the winning of seats, and the ultimate capture of the government benches. It firmly adheres to the principles of democracy of the British type. To this the Third replies that socialism can never come through political action in a democratic state. The state is a tool and product of the bourgeoisie; democracy assumes that there is such a thing as a nation, when really what exists is two hostile classes. Whatever happens at elections the same class always rules, and hence when socialists speak of capturing the governing machine by parliamentary methods they are talking nonsense. Therefore, instead of prolonged and futile electoral activity let the workers arise in their might, overthrow the bourgeoisie and set up a dictatorship of the proletariat. This dictatorship involves complete control over army and navy, the disarming of the capitalists, the building up of a red guard of workers, the displacement of all bourgeois judges, and the expulsion of reactionary government officials. All this may necessitate the use of force, but what does that matter? Once the dictatorship is complete, steps can be taken towards the socialization of industry, agriculture, finance, transport, and trade. The socialized industries, etc., will not be administered by bureaucratic permanent officials; on the contrary, they will be controlled by the proletariat working through a hierarchy of workers' or peasants' councils, now commonly known as soviets. (See Chapter XXIV.) The state as a weapon of class rule disappears, and when the revolution is complete the dictatorship of the proletariat disappears; for since the bourgeoisie as a class has been swept out of existence, and its members are compelled to work for their living, a classless communist commonwealth emerges, in which there is no need for a dictatorship because there is no subject class to dictate to.

The fundamental tenets of the Third International—dictatorship of the proletariat as a weapon for building up a social system organized on the basis of soviets—are almost completely the product of recent Russian experiences and of the Russian reading of Marx. The dictatorship doctrine is condemned by the leaders of the Second International, who declare that a dictatorship is dangerous, especially when in practice it is not a dictatorship of the whole working class, but of only one section of that class, and really of a handful of leaders, or even one leader of that section. "The inevitable consequence of such a régime would be a paralysis of working-class strength through fratricidal war. The inevitable end would be a dictatorship of reaction."

Between these two rival ideas working-class organizations are to-day endeavouring to decide in most countries. In Italy the majority of the Socialist Party has officially accepted the doctrines of the Third International. Elsewhere left-wing groups, such as the Spartacus element in Germany, the I.W.W. in America, and the communist parties (generally small numerically) in most other European countries have joined. Other bodies have withdrawn from the Second International because it is too reactionary, and refuse to join the third because it is too revolutionary. Thus again the socialist movement reveals its fatal capacity for infinite divisibility.

Politically the fortunes of socialism have fluctuated widely since the Armistice. The British general election of December, 1918, swept by the passions aroused by victory, witnessed an overwhelming triumph for the coalition party; the Labour Party secured one-quarter of the votes in Great Britain, but owing to the defective electoral system obtained only one-tenth of the seats. During 1919 French socialists were badly beaten at the polls, as was the Labour Party in Australia. In Germany the socialists were returned in such great strength to the Constituent Assembly as to make them the strongest party (but not a majority party) in that Assembly. In the elections of 1920 there was a big transfer of votes from the Socialist and Liberal Parties both to the extreme left and extreme right, in consequence of which socialist political power was considerably weakened. In Italy alone did the elections of 1919 return a large left-wing Socialist Party (156 members in a House of 501), thanks to the spread of syndicalist and communist ideas during the preceding decade.

Books Recommended. Kirkup, T., "History of Socialism"; Sombart, W., "Socialism and the Social Movement"; Russell, B., "German Social Democracy"; Orth, S. P., "Socialism and Democracy in Europe"; Beer, M., "History of British Socialism"; Pease, "History of the Fabian Society"; Hughan, J., "American Socialism"; St. Ledger, A., "Australian Socialism"; Walling, W. E., "Socialism as it is"; Bevan, E., "German Social Democracy During the War"; Dutt, P., "The Two Internationals"; Lenin, N., "The State and Revolution."

CHAPTER XXIII.

THE GROWTH OF PUBLIC OWNERSHIP.

The growth of the socialist movement has been contemporaneous with the extension of public ownership of various forms of enterprise. Since 1850 the state has gradually abandoned its old ideas as to the scope of its functions. Individualism preached that the government should keep to a few clearly-defined duties; of these the chief were defence, the administration of justice, the protection of life and property, and the levy of taxes. All else must be left to private enterprise. Gradually this attitude was modified as it became evident that life and property could only be protected by the imposition of some restrictions and regulations on the actions of those engaged in economic affairs. Hence came the period of industrial legislation and public control over the conditions of labour, the quality of goods, the prevention of fraud, the fostering of industry and agriculture, and the establishment of charitable institutions. But more still was required, and from regulation the state passed on to actual public enterprise. This step has been taken by governments the world over, and in some instances public ownership came before public regulation. Hence to-day every government is engaged in some form of activity beyond defence and the administration of justice. It employs workmen as well as policemen, and is occupied with such matters as production, finance, transport, public health, the provision of light and water, education, or recreation. This activity is shared alike by central and local governments; municipal enterprise has developed at a very rapid rate since the middle of last century, but state action usually came later. The war extended the scope of public effort so that every aspect of life and labour is, in some part of the world, the subject of collective ownership and enterprise.

Motives. The forces which drove public bodies along this line were seldom socialistic. The socialist attacks capitalism primarily because of its exploitation of the worker. Socialism would give the worker "the full product of his labour"; it is primarily a gospel for the producer. Collectivism has drawn most of its inspiration from a quite different source—the interest of the consumer. The plea is that certain commodities or services are required by the government or the community, and can be better provided by the public authority than by any group of private capitalists. They can be supplied better in quality and cheaper in price by a body working for use rather than for profit. Hence there has been little idea of a more just distribution of wealth, or consideration of the improved lot of the producers. The state, like co-operation amongst consumers, has been interested in cutting out profit for the benefit of the buyer, not of the maker. As such, collectivism has been preached by men who, far from subscribing to the socialist creed, were often its bitter opponents. Chadwick, who in the thirties and forties pleaded for public administration of sanitation and health provisions; Joseph Chamberlain, who led Birmingham on a vigorous policy of municipal action; the Australian legislators who decided that our railways should be state-owned; Bismarck, the Japanese, Russian, and French nationalizers, all attacked socialism with their lips, whilst in

their actions they invaded the field of capitalism and reserved large areas from private exploitation.

The motives for undertaking public works were many and varied.

(1) It was recognized that there was a vital need for some services and commodities which, since there was no strong immediate demand or prospect of early profit, would not be provided by private enterprise—*e.g.*, lighting, paving, drainage, water, hospitals, housing, etc. A community could not wait until the demand for such services induced capitalists to take up the work.

(2) It was felt that some things should be provided gratuitously or at a nominal cost, because of their social value and their effect in improving the mental or physical equipment of the whole population—*e.g.*, education, parks, museums, libraries, theatres, concerts, etc. Other services and goods were taken into public hands in order to control or restrict their capacity for harm—*e.g.*, the totalizator, liquors, opium.

(3) Some activities enjoyed a natural or artificial monopoly which might be used in a harmful manner. For instance, there could be no freedom of enterprise in supplying a town with gas or trams. It would be impossible to allow rival tramway companies to compete in the same street, or rival gas firms each to have their own sets of mains and pipes in the same area. The work must be put into the hands of one company, which was given a legal monopoly. But this monopoly might be used to give an inferior service, charge excessive prices, and make big profits. Such evils might be checked by vigorous regulation, but it would be much better, safer, and possibly cheaper if the enterprise was publicly owned. This applied to postal facilities, means of transit, and docks, as well as light.

(4) It was felt to be desirable to unify under one central authority particular services which were not merely of vast economic, but also of national importance. A postal system, to be effective, must be united on a national or, if possible, on an international basis. Educational institutions must be organized and correlated on a large scale, and railways and roads must not merely serve the economic requirements of a country, but also be planned so as to discharge their duties most effectively in time of war.

(5) When governments undertook certain tasks they needed large supplies of materials. If these were obtained from private producers a profit was made by the seller. Therefore the state saw that it must produce the goods for itself. If it ran railways it must have its own coal mines, engineering and carriage building works; if it used large quantities of timber, it must acquire forests and establish its own sawmills; if it had buildings to construct or roads to make, it must have its own quarries and brickworks, and its own staff of architects, managers, and labourers. It required thousands of uniforms for its soldiers, sailors, postmen, etc., it needed ships for its navy, munitions for its forces; therefore let it have its own clothing factories, build its own vessels, make its own guns, manufacture its own explosives. Thus governments have pursued the policy of integration practised by big private firms and trusts, and have endeavoured to supply their own needs, cutting out profit from the production of the articles they require.

(6) In some parts of the world, especially in Australia, the state has undertaken the manufacture and sale of commodities or the rendering of services in order to break monopoly prices. The state has come in as a competitor, trying to give services more cheaply than they were rendered by

private monopolists or trusts. State butcheries, fish shops, woodyards, shipping, insurance, banking, legal assistance in making wills or discharging duties of trusteeship, these are the chief lines of such action.

(7) The state may desire to benefit from the increasing value of land due to the working of social forces and keep for itself the enjoyment of the unearned increment. Hence it may retain land it already possesses or buy back land already alienated, cultivating it or letting it on long or perpetual leases, with periodically reassessed rents. Many municipalities have retained or acquired ownership of the land round their cities, with a view to enjoying its later enhanced value, or for the purpose of directing the growth of the city on town-planning lines.

(8) Finally, all public bodies are faced with the task of raising revenue, and, as no one likes to risk unpopularity by levying heavier taxation, have begun state or local enterprises in order to provide revenue. At first taxation is levied on certain commodities produced by private firms, but as those firms pass on the taxation to the consumer and still make their profits, the state has decided to take over this profitable business itself, and thus secure both taxation and profit. Hence many state monopolies have been established purely for the sake of the revenue to be obtained, and most public enterprises, except education, public health, and road construction, are regarded more or less favourably in proportion to the extent to which they yield a profit.

Extent of Collectivism. The chief economic activity of governments is in the field of communication and transport. The transmission of messages has passed almost completely out of private hands, and the British Postmaster-General in 1915 had to meet a wages bill of £20,000,000. Roads, bridges, and many canals are publicly maintained, and the old turnpike company, a joint stock body of a century ago, has disappeared. The Panama Canal was constructed under a government commission, and, like the Kiel Canal, is state property.

From the making of highways to the work of carrying was a short step. In 1882 one British municipality owned its tram service; by 1913 the number had grown to 171. Street traction is passing rapidly, even in America, out of the sphere of private profit. Of railways, about half the world's mileage is publicly owned. The relation between railways and the state was a subject of keen discussion in the thirties and forties of last century, especially as it was realized that transit would pass into the hands of big monopolies. Even in individualist England the idea of nationalization was toyed with. In Belgium the idea was translated into practice, and the entire task of constructing and working the railroads was shouldered by the state. By 1850, Hanover, Baden, Wurtemburg, Bavaria, and Austria had followed Belgium's example, and here, as in other lands at a later date, existing private railways were purchased, and all new construction was kept in the hands of the state. Of the 70 national railroad systems of the world 50 were in 1914 directly administered by the public authority; others were publicly owned, but leased to private firms. In the United Kingdom and U.S.A. alone of all the big countries private ownership persists, and even the American Government now owns over 1,000 miles of track in Alaska.

Provisions to ensure public health were at first privately established, and a few places still have privately controlled sewage and water systems. There are over 10,000 public water supply systems in the world; sewage is a municipal duty; cemeteries and crematoria are public property, and doctors,

chemists, nurses, and undertakers have become in places civil servants. It is not unlikely that during the next few decades the whole prevention and cure of disease will become as much a function of the state as education.

Education and recreation in many forms have become the subjects of intense public effort. Not merely schools and universities, but libraries, orchestras, theatres, tourist bureaux, hotels, etc., are managed by public bodies. Governments are probably the largest printers in the world; there are one or two municipally owned newspapers, and in some Italian cities bill-posting is a civic monopoly.

But action has not stopped short at transport, education, and public health. The fields of production, agriculture, industry, mining, and finance have been invaded with some degrees of success. Land improvement, especially by drainage, reclamation, irrigation and afforestation, is a big public enterprise in many parts of the world. One-sixth of the total area of India is state-owned forest reserve, and produces a net revenue of over £2,000,000 a year. One-seventh of the area of Germany was similarly reserved in 1914, and large areas of woodland in France, Italy, Russia, and Japan yield much revenue to the exchequer. Many German cities and villages own a large part of the land on which they are built; before the war the revenue from this source in some places relieved the citizens of all rates, and in one oft-quoted place (Klingenberg, in Lower Franconia) paid each townsman £15 a year, plus free fuel.

Mining and quarrying are carried on by the state or local authority in some countries. The Prussian Government in 1914 owned and worked 345 groups of coal mines, from which the railways were supplied, and 12,000,000 tons sold to private consumers. The King of Prussia was probably the largest coal merchant in the world. But with this one big exception mining has been left almost entirely to private enterprise.

Of state manufactures there is no end. In several countries government monopolies have been established for the production and sale of tobacco, matches, gunpowder, alcoholic drinks, salt, etc. The aim of such monopolies, especially that of tobacco, is admittedly the production of revenue, and the state generally uses its power to make the biggest possible profit. In some instances the monopoly is leased to a private company, but direct government administration is more general. Further, public authorities have established works to make goods which they require for carrying on various purposes—*e.g.*, sawmills, clothing and boot factories, shipyards, engineering works, printeries, ammunition plants, etc. Beyond this they have in some cases gone on to compete with private enterprise in supplying the wants of the general community. Some Italian cities own bread shops and drug stores; Buda Pesth, long before 1914, was selling meat, poultry, eggs, and butter; milk and vegetables were handled by many German cities; in 1910-11 some Swiss authorities tried to reduce the cost of living by selling fish, vegetables, groceries, and coal, while municipal restaurants and lodging-houses were scattered all over Europe.

The provision of gas was for many years almost entirely in private hands, and is still so in two-thirds of the towns of the United Kingdom. Dresden and Leipzig were the first cities to take over gasworks (in the thirties of last century), and public ownership is almost universal in Germany. In the United States, Canada, and most of the Australian cities gas is still supplied by joint stock companies. But by the time electricity became a possible cheap source of light and power the idea of municipal

enterprise had become much more fully developed. Hence from the start many cities owned their electric plant, though private capital still holds a great part of the field.

Finance and insurance have not been neglected. Years ago the British Post Office became a savings bank, and in 1915 had £200,000,000 deposited with it. The post offices of Austria, Hungary, Germany, and Switzerland began to allow people to open current accounts and draw cheques on them. Austria in 1913 handled £1,800,000,000 worth of such cheques. State banks date back to the Prussian State Bank, established in 1772, and in modern times have done a vast amount of work in discounting bills and especially in making advances to small producers, local authorities, and working men who wished to buy a house. Insurance work began in Switzerland, where public bodies began to take risks against fire; to this other governments have added accident and workmen's compensation departments, whilst on the outbreak of war the British Government established a marine insurance department.

Finally, some municipal authorities have attempted to deal with the housing problem by demolishing slums, providing open spaces, and building dwellings for the poorer section of the population. Zurich in 1911 was working out a scheme which would make it the house-owner and landlord of a quarter of the city. Paris in 1912 voted £8,000,000 to build dwelling-houses, whilst Buenos Aires in the same year decided to begin the construction of 10,000 houses. The great scarcity of houses since the Armistice has compelled most governments to embark on extensive schemes of house construction and ownership.

Australasia. In Australasia public enterprise has been as varied in character as in success. It has been initiated almost entirely by the state, for the municipal authorities have been very shy of encroaching on private preserves. In the early days it was inevitable that the governments should undertake all manner of activities in order to supply the settlements with necessaries and carry out important public works. The colony, therefore, started off with wide state powers. The next big step was taken when railway projects were being discussed in the early fifties. At first it seemed probable that the new form of transit would be left to private capital, but the first parliaments of New South Wales and Victoria decided to follow Belgium rather than England. In Tasmania the main line was built by a private company and eventually acquired by the state, and other lines had a similar history. In 1917, of 25,600 miles of track open for traffic, only 3,000 miles were privately owned. In the same year over three-quarters of the tramway mileage was in the hands of state or municipal authorities, and to-day Queensland, Western Australia, Tasmania, and the Federal Government own steamships.

From owning tracks and rolling-stock it was a natural step to proceed to establishing works for the preparation or building of railway material, engines, and carriages, and to the construction of new lines or the building of ships. Hence in some instances the letting of contracts to private firms has been abandoned and the work undertaken by a government department, employing labourers, buying or making materials and plant. The construction of the East-West line was carried out by a Federal department, whilst the making of cloth and small-arms and the building of ships are in the hands of other departments. Victoria and Queensland own coal mines, and Queensland has decided to undertake the production of iron and steel. The

need for timber for ex-soldiers' homes drove the Federal Government in 1920 to acquire large forest areas in Queensland.

In the realm of finance, state savings banks have long existed, and the Commonwealth Bank appeared in 1912. New Zealand established fire and life insurance departments early in the present century, while Queensland in 1916 acquired a monopoly over insurance for workmen's compensation. The same state took over the monopoly of note issue in 1893, and in 1910 the Federal Government began its issue of Commonwealth notes, and drove private bank notes out of existence. Every government has regarded it as a duty to act as money-lender to new settlers and rural producers generally, offering loans and giving relief in years of drought at lower rates than would be demanded by private financiers. In some states this assistance to the small man has been extended by establishing butter factories, grading, packing, and exporting departments, and the exigencies of war brought the whole export of meat, wheat, and wool into the hands of official bodies.

Finally, some states, when under Labour governments, have attempted to combat trusts and price-agreements by entering into competition in the production or sale of some necessaries of life which seemed to be under anti-competitive control. New South Wales acquired some trawlers and established state fish shops; Western Australia had state butchers' shops for a time, while the Queensland Labour Government of 1915 embarked on the sale of both meat and fish, with state stations and possibly trawlers to supply the shops.

Summary. Thus, even before the war compelled belligerent governments to embark upon production, the scope of public enterprise had already become very wide. Some branches of activity were especially adapted for municipal effort, and on these lines many cities, but especially those of Germany, had gone far. Others could only be handled by the state, though in Australia the capital cities bulk so large that much which elsewhere would be done by the city authority is left to the larger body. The capital outlay is enormous. In 1911 the civic enterprises of the United Kingdom had a value of £536,000,000, and it was estimated in 1914 that the value of public industries in the British Empire, Europe, South America, the United States, and Japan was not less than £10,000,000,000. If we turn from capital value to number of employees, we encounter big figures. The state railways of Australia employ over 90,000 men; the Federal Public Service pays wages or salaries to 50,000, while the German railways in 1911 employed nearly 700,000 workers of all grades. An estimate in 1914 fixed the number of state and municipal employees (excluding the army, navy, police, and similar classes) of the world at 12,000,000.

From the above catalogue of activities it is evident that the collectivist state exists already, not indeed in any one place, but scattered piecemeal amongst the states and municipalities of the world. A child can be brought into the world by a state doctor, educated in a state school, and fed by the state during his school days. Then, if he possessed a pair of seven-league boots, he could flit about the world, living in a municipally-owned house, built on communal land by a municipal building department. He could drink communal drink and eat communal food in communal restaurants. He could enjoy himself at state theatres, travel on national railways or state steamers. He could endeavour to smoke state-made cigars, provided he succeeded in lighting them with state-made matches. He could burn coal from national mines, deposit his money in a state bank, insure his life, house,

and furniture in a state insurance office. Finally, if he died in Switzerland, the state would give him free burial, including a coffin, undertakers' services, a simple hearse, and one carriage for the family.

The quantity of public enterprise is enormous. But what of its quality? How does it work? Does it discharge its duties to producer and consumer any better than private enterprise would? If its efforts result in frequent failure, and cause the consumer to grumble and the state employee to strike, what is wrong? In short, does collectivism offer anything better than capitalism can, or it is just state capitalism, with all the vices of private enterprise and none of its virtues? Or is there a limited field, in which it commands success, but beyond which its efforts are puny and futile?

To these questions widely different answers are given. The rampant individualist points to some enterprises which had been undoubted catastrophes and argues that because they have failed state effort cannot succeed. On the other hand, socialists, especially of the moderate reformist section, argue from carefully-chosen instances that collectivism is a success, and the Australian Labour Party, without stopping to estimate the success or otherwise of existing or defunct ventures, is ever ready to add new nationalization planks to its platform.

Between these two opposing partisan views the critic has to walk warily. Generalizations are really very difficult to make, for each case has to be carefully examined on its own merits. Figures indicating profit or loss need to be dissected with great care. For instance, while a certain railway line may show a loss it may have brought new land into cultivation, opened the way for new settlements, and so increased the national wealth and yield of taxation. Further, in big state enterprises, which are in the nature of monopolies, it is almost impossible to make a fair comparison between public and private effort. If one wishes to decide whether state railways are more successfully managed than private railways, it is not fair to contrast the state lines of Australia, or even of Germany, with the private lines of England or America. Conditions vary so widely in different countries that a proper comparison is very difficult. Contrasts may be possible where a service, such as light or trams, once privately owned, becomes public property; or where state production or sale exists alongside private effort, as in the case of shipping, public works, clothing and other factories, and in retail distribution. When we institute such comparisons we find that there is in state or municipal enterprise no magic property bringing inevitably efficiency and satisfaction to all concerned. Public industries may deal better with the producer and consumer, or they may not; they may give the labourer good treatment and the consumer a good article at a low price, or they may not. They may make ends meet, and produce a surplus, or they may squander and mismanage, meeting perennial deficits by drawing on the supposedly bottomless pocket of the taxpayer and money-lender. They may regard themselves as existing for the benefit of the community, or regard the community as existing for their benefit. They may be public services; or they may be public nuisances. Success depends upon so many things; on the erection of a suitable organization especially adapted to economic, as distinct from political, work; on the securing of capable heads, workers rather than talkers, able to organize and manage large operations and imbued with a sense of public duty; on up-to-date equipment and methods; on the employment of skilled, well-treated, and conscientious workmen; on freedom from party political and sectional influences on the

one side, and from the domination of any numerically strong body of workmen on the other; on the weight of the burden of interest which has to be borne when an industry has been acquired from private owners; on the aim of the enterprise, whether developmental, revenue-producing, monopoly-breaking, or simply service-rendering; finally, in some degree, on the character of the industry itself. Let us examine these considerations.

Problems of Control. Public economic activity was undertaken by bodies organized primarily for political work. The units were the municipal or shire council and the state, and these may not be the best for the purpose. True, the nation might be a good unit for postal and railway control, though where several states occupy one big piece of territory, as in Europe and Australia, the system should be interstate or international as far as possible. For other work the nation might be too big as a unit, and the single municipality too small, especially as political boundaries are usually drawn without any reference to economic needs or advantages. For instance, many towns may stand adjacent to each other; if they grouped together they would form an excellent unit for a big water or electric supply scheme. And yet one often finds that each place has its own plant, its own experts, inspectors, etc., and thus misses many of the advantages which would be gained by working on a large scale. Further, a political boundary round a city generally shuts out a large population which lives on the fringe outside the boundary post. This population economically is part of the city, and should be served by the city's public services; but frequently it is shut off from such services because it is on the wrong side of a line drawn on a map. Hence there is need for the formation of bigger units to handle some public enterprises. This has been realized by those who seek to bring suburban municipalities into the fold of the central city—*e.g.*, Greater Birmingham, Greater Hobart, and similar schemes. It has driven other places to put such things as trams under the control of trusts containing representatives of all the districts served by one system. It has caused a British Select Committee to recommend that the electrical supply of the country should be generated in big power stations, each of which serves a large province. It found some degree of recognition in a wider sphere in the International Postal Union, which, while leaving postal administration in the hands of each state, established co-ordination and system in the passage of mails from country to country. But much still remains to be done. Each Australian railway department still thinks in terms of its own state, rather than of the service of Australia as a whole. Each is shy of linking up its lines with those of adjacent states, lest goods should seek their route to the sea along the lines of another state, and so deprive it of revenue.

Having found the best economic unit, there remains the finding of the best form of organization and control. Bodies whose aim is solely economic, such as trade unions, co-operative societies, and joint stock companies, have evolved constitutions and methods expressly suited to their specific needs. But public bodies have tried to run business concerns by political machinery. The kind of organization, the form of procedure, the type of men necessary for a foreign office, a naval, military, legal, or education department are probably not at all fitted for managing railways, post offices, mines, or shipping. Excessive centralization, routine methods, red tape, circumlocution, protracted discussion, leisurely decision, and political control—features which distinguish the operations of most public departments—are out of place in a business enterprise, and may spell failure. For a new kind of

work the state requires a new kind of organ and a new type of man; it will be found that success has come only where a public authority has realized this fact.

One of the chief faults of public enterprise has been the excessive centralization of control and approval. This centralization brings all decisions, large and small alike, through many channels before one or two men at headquarters. These men may, in autocratic countries, be experts, but in democratic states the last word lies with the political head, who often knows nothing of the technical matters on which he has to decide. In Australia centralization has been carried to absurd lengths. The smallest matters pass from local to district office, district to state, state to federal office, gathering foolscap sheets as they travel. Such small matters as the site for a country post office, and the appointment of rural post office holders, have to be dealt with by the Minister. It was pointed out in 1915 that an assistant engineer in the post office, earning £450 a year, controlling hundreds of men, and in charge of a big job, had authority to spend only up to £2 without permission from a higher officer. His superior, earning £600 a year, could assist him up to £10, and the engineer in charge of the state, receiving £800 a year, could only spend up to £25; "which is absurd." Subordinates are given responsibility and yet not trusted; prompt decision is impossible; all threads must pass into the hands of headquarters; time, paper, and labour are wasted, and the big men are so occupied with trivialities that they have no time to give to broad problems. The following verdict was passed by a royal commission on the Australian post office in 1915:—"All that seems wrong is want of what is known as business management, which is difficult to describe beyond saying that in well-managed concerns unnecessary work, especially correspondence, is avoided, simple methods are sought, and brains are kept cool and clear for important matters. . . . The training (of the staff) has been secretarial rather than managerial—vastly different things. . . . The need for decentralization is imperative. . . . Above all things, your men must be encouraged to think for themselves, even when they make mistakes." The verdict fits equally well scores of other enterprises.

Political Influence. The next cause of failure in public enterprises is the influence of political considerations on economic policy. This influence is especially powerful where democratic forms of government prevail. In such communities the general lines of economic action are laid down by elected bodies, which may be composed of men who know little or nothing of the matters on which they have to decide. If they are capable of taking broad, long views, all may be well. But often the elected persons act as representatives of some vested interest—capital or labour—or seek only the welfare of the special locality from which they and their party draw their supporters. Some are the spokesmen of private enterprise. Others worry little about the progress of the country as a whole so long as their constituency gets a few more roads and bridges, and possibly a railway. In countries where the capital and adjacent cities dominate the legislature, or where the industrial and commercial population is in the majority, city interests may be fostered at the expense of the country, and railway policy gives undue attention to the capital. The Australian railways have not been planned to give the rural districts their shortest route to the sea, but have dragged land products up to the metropolis, preventing the growth of new ports and causing the cost of transport from distant districts to be unnecessarily high.

Nor is this all. State enterprises may be ruined not merely by placing incapable ministers in charge, but also by appointing parliamentarians or rejected candidates to positions of control and responsibility for which they have no training or experience. Such appointments, whether given to remove a dangerous person from the political arena, as sops to "rejects," as help to a friend, or as spoils to the victors, lower the whole level of political life and jeopardize the success of state enterprise.

These dangers of the rule of the amateur and the influence of personal and political factors have caused attempts to be made in some places to devise a better system of control. The alternative to old methods seemed to be the appointment of a non-political expert head, into whose hand should be given almost autocratic power. This was first done in Australia in the eighties. New South Wales in 1888 placed its railways in the hands of three commissioners. They were appointed for seven years, during which period they could only be removed for misbehaviour or incompetence. They were given power to decide the position of stations, wharves, and sidings, arrange the train service, fix the rate of pay, working conditions, freights and fares, subject in some matters only to the formal approval of parliament. They were, in short, to remove the control of the railways from the realm of politics. This policy has been copied by the other Australian states, and has been found useful in other countries, whether for making the Panama Canal or administering the British insurance scheme. It has also been adapted to the control of municipal enterprise in many American cities. Here the old method, with permanent officials working under the control of elected councils, seemed to produce little but corruption and inefficiency. After 1900, therefore, some of the newer towns of the middle-west decided to put such things as public health, finance, street transit, lighting, etc., entirely into the hands of expert commissioners, who were chosen by the mayor, the state government or parliament, or elected by the people. These men were protected from any political interference, and given a free hand to do what they thought best. Popular control was limited to the right of initiative and recall. This system, which, incidentally, was adopted for a time in Sydney in the fifties of last century, seems to have worked much more successfully than its predecessor, and has been instrumental in freeing municipal affairs to some extent from the influence of party politics and private interests. But it has by no means solved all the problems. The commissioners, if appointed by parliament or the ministry, may still be chosen for political reasons. The salaries offered are seldom such as would induce really good men to leave private positions for state ones. When appointed, the commissioner is still powerless to control plans for extension; parliament still retains the power to decide what new lines shall be constructed and what routes shall be taken. The commissioner then has to take on his shoulders the task of working these lines; his demands for more capital outlay in rolling-stock, etc., have to take their chance against the claims of other departments, and he is generally starved in consequence. He is not allowed to close down any unprofitable lines, for fear that the ministry might lose its supporters in the district affected. Thus he is only free in matters of detail. General policy is still in the hands of parliament, and a commissioner who persistently sought his own way in defiance of his political chief would have little hope of getting his appointment renewed.

Two other efforts have been made to remedy the evils of political control. In 1888 New South Wales provided for the establishment of a

parliamentary committee on public works, whose business was to investigate and report on the prospects of all proposed public works entailing any large outlay of money (*i.e.*, over £20,000.) In this way it was hoped that authoritative information would be obtained, which would better enable parliament to decide whether any proposal was worth further consideration. The work of such committees has been of great value, especially in preventing the state from embarking on ventures which had no hope of succeeding. But the method has its faults. The committee is not made up of experts, and has to inquire into all kinds of matters, such as roads, railways, irrigation, the production of oil, waterworks, etc. It is at the mercy of experts on one side, and of those who dwell in the district under consideration on the other. The latter spare no pains to paint the resources and potentialities of the district in most glowing colours; it is very difficult to get any critical opinion; some members of the committee may be naturally in favour of any extension of state effort, and others may have political interests in the district. Hence occasionally ventures which were strongly recommended by the committee turn out to be failures.

Finally, attempts have been made to take the control of the labour supply out of political hands by the appointment of public service boards or commissioners, to whom is given the work of appointing, promoting, dismissing, and otherwise controlling state servants. This policy is Australia's chief contribution to the organization of the public service. Much good has resulted from it, especially so far as clerical and professional staffs are concerned; but even in these classes, in the big body of men employed in public works, and in the selection of the commissioner himself, political influence is not altogether eliminated.

Here then we have in many forms the biggest problem confronting a democratic state which turns its hand to public enterprise. Such enterprise may be used as a means to a political (or, rather, a party-political) end. Is there any remedy? Splendid machinery may be devised to establish non-political control, but this is always open to the objection that in order to avoid political control we have abolished democratic or popular control, and established economic autocracy in state as in private industry. The solution seems to lie not simply in the erection of suitable politico-economic machinery, or in the thorough training of public servants, but also in the realization of a high standard of intelligence and character in the mass of the community and their representatives. If electors think in terms of their own personal, sectional, or class interests, if they return men to represent those interests, if they believe that their vote is something to be sold to the highest bidder, and choose men whose only qualification is their ability to bid high and recklessly, then no amount of non-political commissions will be able to save democracy from itself.

Public Industries and Technical Advancement. One of the most prominent features of modern industry is the rapidity of technical advance. Old methods, plans, and machines are quickly "scrapped" when anything better is discovered. Scientists are constantly employed to search for new possibilities; methods of accounting are frequently being improved. Big new industries spring up every decade. There is no finality in the matter or methods of private production. To this advance the state has contributed little. It has created no new industry: railways, lighting, postal work, hydro-electricity, etc., all were carried through their pioneer stages by private capitalists or scientists, and the state came into the field only when

the importance of the industry had been realized and its general character determined. When an industry has become state-owned, the owner has seldom made any new departure; most of the improvements on the railways of the world have been introduced on private lines, and only copied later on the state lines. Even in the realm of defence most of the inventing of new weapons of destruction has been done by private capitalists; had the motor and aeroplane depended solely upon the state for their development they would probably never have been taken up, and would certainly have been much more primitive to-day. In Germany and Switzerland the post office, telegraph, telephone, and railways have maintained a high standard of enterprise, but in other countries public industries tend to be humdrum and devoid of the spirit of experiment and innovation. The failure to solve the problem of providing a uniform guage for the Australian railways is one outstanding illustration. Ever since interstate communication was established there has been talk of unifying the guage, but nothing has been done. Meanwhile fresh railway construction has been undertaken, and the task of converting the whole system to the 4 ft. 8½ in. standard, which would have cost about £5,000,000 in 1897, and £37,000,000 in 1912, would cost nearly £100,000,000 in 1920.

The Consumer. The treatment meted out to the consumer varies greatly from place to place, and from one industry to another. There are many economies of which advantage could be taken to provide a good article at a low price. Governments can obtain capital more cheaply than private firms, and so their interest bill should be lower. They need carry no watered stock. They generally get managers at lower salaries than are paid by private employers. They can have disinterested management, avoid low tactics and adulteration. They can economize in distribution, send only one cart down one street, put one shop in one district, and in other ways avoid duplication of services. In places these advantages are seized, and the consumer is given an efficient service. This applies to many lighting, tramway, and water undertakings, especially in some of the big European cities. The European postal services were also efficiently organized and served the public well before 1914. But in other cases the consumer has had just cause for complaint. The state tobacco monopolies of the world have generally made no such attempt to cater for customers as private companies have done in other lands. The variety of brands and mixtures is small, the quality mediocre, the retailers incompetent. The monopolies are frankly revenue-raising devices, and the price is therefore taken to the point beyond which any further increase would cause a serious reduction in consumption. The state probably gets no more revenue than it would by leaving the industry in private hands and levying taxation on the goods sold. In other state enterprises similar conditions prevail. There is no magic in "production for use rather than for profit." The profit-seeker has a stimulus: his end is to get the biggest possible net return for himself. But he may get that return by catering to the fullest possible extent for the wants of his customers. He may find that a good article, reasonable in price, means bigger profits on the year's work than a poor article at a high price. Some state industries do not bother about profit; they bother little more about use.

Financial Results. It is difficult in many instances to arrive at an exact statement of the financial results of public enterprise. While some state and municipal industries use careful and complete methods of account-

ing, and produce exhaustive analytical statements of their operations, others make no such attempt at dissection. In fact, one of the chief criticisms of public enterprise is that it frequently is slipshod in its handling of figures. This applies especially to the preparation of estimates of the cost of public works, and the inadequate or over-optimistic attention given to this matter frequently involves the state in an eventual outlay two or three times as great as was estimated. Many of the state tobacco monopolies fail to deduct from their gross returns adequate amounts for rent, interest, depreciation, reserve, management, etc., and hence show bigger profits than they have really made. Each public enterprise has to be examined carefully before one can say whether it is paying its way or working at a loss. When this is done, we find that some industries are making a good net profit. In 1915 the tramway and lighting departments of Manchester paid £180,000 towards the relief of the rates, after making liberal deductions for other charges and holding £770,000 in a reserve and depreciation fund. The Melbourne City Council netted £48,000 on its electrical work in 1916. Japan draws large revenues from her productive state works. The German railways in 1911 contributed £16,000,000 to the exchequer. In other kinds of work results have not been so good, and it seems that public enterprise scores its greatest triumphs in such stable routine industries as light and transit. Along other lines the path is strewn with failures.

The State and its Employees. Public bodies have made no pretence that they were working for the well-being of their employees. Industries are run for the benefit of the consumer or the state, and when the producers receive attention it is either because they are so numerically strong as to force their demands upon the attention of the authorities, or because they have weight at the ballot-box. In state industry even more than in private, there is a gulf between the "brain workers" and the "manual workers." The former alone are usually regarded as civil servants; even then they are often not so well paid as similar men in private industry, but are willing to accept lower salaries because of the security of tenure, the social standing attached to a government post, and the mechanical certainty of securing promotion when someone above them dies, is transferred, or retires. In some countries the standard required for entry into the civil service is high, and only good men get in; in others it is not a very convincing test of ability or education, and mediocre men gain an entry, after which the rest may be largely a matter of waiting for dead men's shoes. There is no incentive to work the industry so as to make a profit; there is little fear of dismissal; and unless these stimuli are replaced by a high standard of ability and a strong sense of public duty the upper grades of the public service may be characterized by stagnation and inefficiency.

The lot of manual workers is generally little if any better than that of workmen employed in private concerns. Not until 1888 did any public body decide to insist on the payment of "fair wages" for any work done for it, and even to-day such bodies pursue the policy of getting labour as cheaply as possible. Women are largely employed wherever possible; hours of labour are seldom shorter and wages seldom higher than those of private factories; speeding-up, fines and deductions, and the possibility of sudden dismissal are all part of public employment. Trade unionism in many lands is either forbidden or grudgingly tolerated, a strike is treated as a rebellion against the state, and employees are refused that right of access to a wages board or arbitration court which has been given by the state to those working

outside. Frequently the state tries to impose restrictions upon the actions of its workers: Belgian railway and postal employees were before the war forbidden to join a co-operative society: men in France have lost their jobs because they went to Mass or were socialists. In most countries public employees are forbidden to stand for election; in some places it is unsafe to vote against the government; in others one may not comment on the administration of another department, and in some occupations women are dismissed on their marriage. The public body is seldom a model employer. It may be as despotic as any self-made capitalist, and make no attempt to share the work of management with its employees.

On the other side of the picture we have possible or actual dangers. The worker is also a voter; the economic servant is also the political master at election times. Hence there is a temptation to pander to any influential section, a willingness to tolerate poor work and the "government stroke," a readiness to concede demands for fear of injuring party prospects at the polls. And so we swing round again to the whole question of the standard of intelligence and character in a democracy.

Conclusion. Thus, to sum up, while public enterprise has spread over a wide field, its success has been varied. It has not removed the idle rich class, for often the state has had to buy out a private company, and thus given the former owners an assured income nearly (or quite) as large as they formerly drew from the profits. It has raised almost as many problems as it has solved—problems of control, of technical progress, of finance, of employment. In cases it has given excellent service and paid its way; in other cases its service is poor, and its financial results disappointing. It has done little to alter the distribution of wealth, and little to solve the labour problem. It seems to succeed on certain lines, in which the work is the rendering of services rather than the manufacture of goods. It is doubtful whether it will be able to tackle agriculture, the supply of necessaries, luxury and speculative trades; one cannot hope that it will build up new industries or foster much overseas trade.

Books Recommended. Davies, E., "The Collectivist State in the Making"; Snowden, P., "Socialism and Syndicalism"; Commonwealth Year Book; Supplement on "State and Municipal Enterprise" (*New Statesman*, May 8, 1915); Madsen, A. W., "The State as Manufacturer and Trader"; Dawson, W. H., "Municipal Life and Government in Germany"; Knoop, D., "Principles of Municipal Trading"; Howe, F. C., "Socialized Germany."

CHAPTER XXIV.

SYNDICALISM, GUILD SOCIALISM, AND BOLSHEVISM.

At the beginning of the present century socialism seemed to be the last word in social reconstruction. Of any stage beyond socialism, of any body of critics inside the socialist society, there was no thought. But there is no finality in human ideas or institutions, and by 1912 the socialist found himself facing two enemies instead of one. The capitalist still fought to defend private enterprise, but a new combatant—the syndicalist—had entered the ring, and his blows rained almost as heavily on the head of the socialist as on that of the capitalist.

Syndicalism first attracted popular attention in Great Britain during the industrial unrest of 1911-12, and a large literature grew up around the subject. It was then discovered that the idea was at least ten years old; that it had been born in France before 1900, and had gained adherents in Italy and North America in the following years; that its intellectual leaders were, in the words of Sombart, good-natured, gentlemanly, cultured people, lawyers, philosophers, and professors. Nay, more, it was found that the word, literally translated, meant nothing more than "trade unionism," being derived from the French word "syndicat," which means trade union.

General Character. Syndicalism is still far from being a completely developed body of ideas. It is vague on many essential points, and its advocates differ on important matters of detail. But on three general propositions all syndicalists are agreed.

(1) "The working class and the employing class have nothing in common." The Marxian doctrine of the class war, abandoned by many socialists, especially in parliament and on the hustings, is revived in all its fervour and intensity. There is no such thing as society, no social unit; there are "two worlds, which have contrary ideas of life." Between them there is incessant guerilla warfare, which will some day develop into a pitched battle.

(2) When that day comes the workers must know for what they are fighting, and syndicalism therefore puts forward its aim, its goal. That aim is the overthrow of capitalist ownership and control of industry, and the transfer of all industries into the hands of the unions. Industrial democracy is the ideal, and the union is to own and govern the industry at which its members work; the miners will manage the mines, the railwaymen the railways, and so on. Syndicalism gives unionism a goal. Unionists must no longer be satisfied with the old motto, "A fair day's pay for a fair day's work"; they must realize that in their organization they have a weapon which can destroy the wages system, and be the foundation of quite a new economic order.

(3) This new world is to be brought into being as the result of revolutionary direct action. The syndicalist is determined to avoid political action, because it is worse than useless; it is a broken reed unless one has economic power as well. Given the latter, the former is superfluous, for he who controls economic forces controls all. Industrial aims must be won by

industrial weapons, and the syndicalist society realized after a process of sabotage and partial strikes, culminating in a general strike.

Syndicalism is thus a doctrine of class struggle, a call to direct action, and a scheme for a new economic society of which the union is the dominating factor. "The fighting groups of to-day will be the producing and distributing groups of to-morrow." Between to-day and to-morrow those groups will wage their last great triumphant struggle, and when to-morrow dawns there will be no capitalists, no state.

Syndicalism a Reaction. Like most new movements, syndicalism came as a reaction. It was born of disappointment—disappointment at the apparent failure of orthodox unionism, co-operation, industrial arbitration and conciliation, political action and collectivism. The old unions, in their hunt for small concessions, seemed to get no further forward in the struggle with capitalism. Co-operation had done much, but had still only touched the fringe of the problem; it had become an ordinary business concern, shorn of its early idealism. But the failure of unionism and co-operation was as nought when compared with the dismal futility of political action. Labour had poured out its energy without stint in order to build up strong Labour or Socialist parties—and with what result? Since parliamentary candidates could seldom hope to be returned on a working-class vote alone, they had watered down their ideals in order to secure the votes of the middle class and peasants. The class war was an unpopular idea with many, and so had been thrown overboard. Socialist truths had become overlaid with opportunism and compromise. Even when a man was returned on a thoroughly socialistic platform, his sword-waving soon turned to sword-swallowing. The social lure of political life demoralized the Socialist politician. He became flabby, soft as the upholstery of Parliament House, and forsook the great truths of socialism for the fleshpots, assured salary, and perquisites of political life. Socialists who had taken office in capitalist governments soon lost all their fire, became opportunists, talked about "social peace" where there was no peace, dabbled in schemes of social reform, but left the really fundamental issues alone. Even when socialists controlled the government, they did nothing to bring socialism into being. They toyed with small things and predicted big results; they frittered away their time dealing with matters which were of no conceivable interest to their supporters. In their attitude towards Labour, especially state employees, they alternated between bribery and bullying. When called upon to deal with any big dispute, they outdid capitalist ministries in the rigour of their suppression, and frowned upon any big industrial agitation lest it should injure their chances at the next election. "Never did a socialist society appear so far from realization as when socialists had nearly attained power. Socialists in power are merely a new garrison in the old fortress—nothing more." "Experience has shown that there are no worse reactionaries than socialists when once they have attained to power." Such are the conclusions drawn by syndicalists from decades of political action.

The syndicalist's disappointment goes further. He hears the socialists speak of "two wings" of the labour movement—political and economic—but notes that they look upon the latter as being much less important than the former. He sees that they fear any economic action which it not under their control, and suspects that they regard the unions merely as a means to a political end. Against this he revolts. If there are to be two wings, the economic is far more important than the political; industrial action can

achieve more in a few weeks than political action can in years. Finally, he is dissatisfied with the results of nationalization. To the old socialist, nationalization solved everything; to the syndicalist it solves nothing. He surveys the field of state enterprise, and finds that the public employer is little if any more considerate of the lot of his workpeople than is the private capitalist. "Government capitalism is no better than any other form of capitalism," and may be worse.

Syndicalism in France. France was the birthplace of syndicalism. The French wage-earner's mind has been fitted by over a century of upheavals to think in terms of revolution. After the events of 1789, 1848, and 1871 another violent change—this time economic—is quite within the bounds of possibility. No idea is too revolutionary, and no proposal can be dismissed which offers a release from the squalid political atmosphere in which France lived after 1871. The history of that period is marked by bitter quarrels and big scandals. The Panama fraud, the Dreyfus case, the Caillaux affair, and the novels of Anatole France all showed the depths to which public life had sunk. In this atmosphere the trade union movement grew up. Unions were legalized in 1884, and made some progress during the following years. At the same time the socialist party was growing, and made frequent attempts to capture the unions. Faction was rife, but nevertheless by 1900 there was a strong group in the Chamber of Deputies and Millerand entered the ministry. It was hoped by many that this entry of a socialist into office would mean a new era in legislation and administration, but these hopes were soon shattered. Viviani and Briand followed Millerand, and seemed to leave their socialism outside when they entered their ministerial offices. The party allied for tactical reason with non-socialist sections, and lost thereby its independence. To the critic outside it seemed evident that the parliamentary atmosphere was fatal to the socialistic faith. Events soon came to strengthen this distrust, not merely of politics, but of the state as a whole. During a strike at the Longwy steel works in 1905, French and German troops co-operated in protecting the plant. "Look," said the syndicalist, "capitalist governments sink their differences to protect the property of their masters against labour." In 1910 came the famous railway strike. Briand, ex-socialist and one-time preacher of the general strike, was premier, and although the men asked only for a minimum wage of five francs a day, a weekly day of rest, and a better pension scheme, Briand declared that the strike was a rebellion. The strikers were called out as reserves, compelled to don uniforms, and then ordered under military law to work the railways. No further proof was needed. The state was the enemy.

French unionism grew slowly, and organized itself in thousands of small local or sectional bodies. These gradually grouped themselves into local and national federations, which culminated about 1900 in the General Confederation of Labour (Confédération Générale du Travail), popularly known as the C.G.T. In this federation two schools of thought—"business unionism" and "revolutionary unionism"—soon appeared. The moderates wanted an eight-hour day, better wages, collective bargaining, etc. The extremists wanted revolutionary syndicalism; some of them in earlier days had been advocates of anarchism, a fact which influenced their conception of union policy and aims; and before 1914 their vigorous language and energetic propaganda dominated the C.G.T.

Syndicalist Tactics. To the syndicalist the union must be a fighting body pure and simple. All friendly society work must be abandoned. Dues and levies must be kept as small as possible, in order to secure big membership amongst the very poor. Political connections must be avoided, since the only weapons of any use are in the economic armoury. Some syndicalists regard industrial unions, or one big union, as being best fitted for the task ahead. Others think the matter of little importance; the chief task is to get workers into any sort of union, big or little, and then imbue the active minority in the unions with the proper spirit. Since the class war is always going on in the capitalist system, the syndicalist opposes any truce or bargain between capital and labour. Agreements are anathema. Therefore don't make them, or, if you do, break them whenever you think fit. Don't bind yourselves or limit in any way your complete freedom to harass the employer at every turn.

Another method of harassing capital is *sabotage*. The term is derived from the French word "sabot," a wooden clog. Two explanations are given of its meaning. One is that in the thirties of last century the hand-loom weavers of Lyons rose in revolt against the new power-looms, and used their sabots to break the windows of the mills and the machinery. Sabotage, therefore, means the destruction of the capitalist's property. The second explanation is that a man wearing sabots walks more slowly and clumsily than one better shod. Hence sabotage means to do one's work slowly and badly, "go slow," "ca' canny," and practise any tactics which will be a blow at "the masters' pocket-books." Its most common manifestation is the limitation or reduction of output, and the production of inferior work. In its more subtle form it spoils tools, breaks or loses vital parts of machinery, puts emery powder into bearings, etc. Railway men can delay the transit of perishables, bump "fragile" packages about, alter destination labels on goods or freight cars, or simply carry out to the letter all the working rules and regulations of the company. Shop assistants can undercharge, give overweight, or tell customers the truth about the quality of goods on the shelves.

To the argument that all this is unscrupulous, immoral, the syndicalist replies, "What does that matter, so long as it is effective?" Scruples, morals, rights and wrongs, and all other present-day ethical standards are merely by-products of capitalism; they are part of the system, the props of the order he is fighting, and he is out to destroy capitalistic ethics as well as capitalistic industry. To quote one American syndicalist, "The I.W.W. is avowedly levying war on capitalist society, and so its tactics are neither justifiable nor unjustifiable, because the only law of war is to inflict the greatest possible harm with the least possible effort." "We create our own laws, our own moral values." "Our ethics are the ethics of power. We are going to do what we need and intend to do, because we have the power to do it." Anything is justified if it succeeds in bringing nearer the breakdown of capitalism.

The General Strike. Better organization, refusal to keep agreements, sabotage, partial strikes, are all preludes to the supreme effort, the general strike. The general strike is not a syndicalist invention. Owen dreamed of one in the thirties to win an eight-hour day; general stoppages of work have taken place in various lands to secure some economic or political concession or resist some reactionary move. But the syndicalist general strike will be different, since it is to overthrow the whole economic system of

"organized robbery." It will, by completely disorganizing the mechanism of capitalistic society, expose the weakness of the structure and the strength of the strikers, whereupon the latter, realizing their power, will seize the "social means of production and proceed to operate them in their own interests." The strike may be accompanied by violence, though syndicalists will first have won the support of the police and soldiers, and so need fear little armed opposition. Or it may be perfectly peaceful, and the strikers will simply exercise their "right to be lazy"; they will fold their arms and sit still, baffling the enemy by their perfect orderliness; eventually the employers, recognizing that they are defeated, will throw up the sponge and let the workers have their way.

The New Order. And then what? How will the new society be planned? What will it be like? The answer, so far as one is given, is as follows: Each industry will pass into the hands of those who work in it, organized in their industrial union. The workers will then choose their foremen, managers, etc., though whether the choice will be on the basis of election or on that of fitness for the post is not quite clear. In this way the worker will cease to be a mere "hand"; he will have a voice in the control of his industry, just as to-day he has one in the control of the state. Each industry will supply to the others the goods or services they require, and receive in return what it needs for its own work. Self-government is to apply to the useful professions as well. Education, public health, etc., will be in the hands of professional unions, and the teachers will say how the educational system shall be worked, instead of being dictated to by a bureaucratic department. Then when the wealth has been produced, it will be distributed, not according to the socialist formula, "To each the full social value of his labour," but according to the anarchist doctrine, "From each according to his ability; to each according to his needs." The state, of course, will vanish.

Italy and America. The ideas outlined above aroused the enthusiasm of large sections of labour during the decade before the war, not merely in France, but in Italy, Spain, Russia, and the United States. In Italy in 1914 about 100,000 unionists accepted syndicalism as their creed, and were at loggerheads with the larger moderate and political sections. By 1920 the number had grown considerably, and in that year several attempts were made to seize and control textile, motor, rubber, metallurgical, and other factories in the north of Italy. Instead of using the general strike, a new weapon—the lock-in—was tried; the men stopped in the works, and endeavoured to carry on production instead of stopping it. In America, where political and industrial conditions favoured the growth of revolutionary ideas, syndicalism—or "revolutionary industrial unionism," as it was called —found devotees. The exclusiveness and conservatism of the craft unions and the Federation of Labour, the low standard of political life, and the ruthless exploitation practised in many industries called for vigorous action. In 1905, therefore, a number of socialists and advocates of industrial action met in Chicago and formed the Industrial Workers of the World. This body, pledged to class war, was to seek to bring the workers together "on the political as well as on the industrial field"; one big union was to be built up, superseding the craft unions, a union "big enough to take in the black man and the white man, big enough to take in all nationalities—an organization that will be strong enough to obliterate state boundaries, obliterate national boundaries, and become the great industrial force of the

working classes of the world.'' Political and industrial action were to go hand in hand, but soon the industrialists quarrelled with the politicians. A split occurred, and De Leon and other socialists went off to Detroit to form a political-plus-industrial I.W.W., while the Chicago body concentrated solely on industrial action. Of the two I.W.W.'s the latter was the more important; it soon discovered a task near to hand in organizing the non-English-speaking population, and this work it undertook with considerable success at the time of the Lawrence strike in 1912. On this occasion Russians, Belgians, French, Italians, Poles, Slavs, etc., were for the first time organized, and fought a peaceful well-conducted strike in face of great odds. But in taking up this new task the I.W.W. had to put aside its advocacy of an ultimate revolution, and struggle simply to get better wages and industrial conditions for the alien unskilled population. Since 1914 the I.W.W. has won members among wharf labourers and others, and in 1920 had about 260,000 members. It has grown less doctrinaire, has encouraged the shop committee and shop steward idea, and urges its members to study technical problems, so as to be able to take charge of industries when the revolution comes.

Australia. Syndicalist ideas came to Australia via America, chiefly in the form of I.W.W. pamphlets and propagandists. Their influence is seen chiefly in the advocacy of industrial unionism and the O.B.U. agitation, in which phrases from the I.W.W. preamble are common currency. It also manifests itself in the virulence with which left-wing industrialists criticize parliamentarians, in the condemnation of arbitration courts, and in the advocacy of strikes. But very few unionists endorse, or even know of, the syndicalist aim. Australian labour has scarcely been touched by any current of revolutionary thought since the nineties. The country is too insular, isolated, moderate-minded, and comfortable.

Comment and Criticism. Such is syndicalism—a skeleton plan for a new society, and a gospel of direct action. Some men accept the aim, but dislike the weapon; many more like the weapon but care little about the aim. Syndicalism has rendered two great services to the labour movement. In the first place, it has called to the unions to think for themselves and think of ultimate aims. After the failure of the revolutionary unions of Owen's day, organized labour dropped into a rut. It accepted the capitalist system as it found it; an extra penny an hour, a shorter working day, and an ample fund for friendly society benefits—these things bounded its horizon. With the rise of labour parties conditions changed somewhat, as the unions were hitched to the political waggon. This was in many ways unfortunate, for not merely were excellent union secretaries taken away to become mediocre politicians, but the unions were persuaded to believe that economic problems were best solved by political methods. ''Leave it to parliament!'' became a veritable lullaby; ''Work out your own salvation!'' was a cry which fell on deaf ears, and unionism fell mentally asleep, leaving its work in the hands of the parliamentary nurse. From this slumber it was awakened by the failure of political action to deal effectively with economic problems, and found syndicalism calling upon it to think out its position and formulate a bold policy, with the union as the basis of action and reconstruction.

Secondly, syndicalism has been of service in stressing the rights of the producer. Collectivism thinks primarily of the consumer, and co-operation in its most successful form works in the interest of the purchaser. Mean-

while capitalism has developed an industrial autocracy, in which the provider of capital has almost supreme control of the conditions under which his employees work. They are "hands," so much labour-power, to be dealt with in the same way as machinery and raw materials. Against this the syndicalist revolts, and with justification. The conditions under which a man works have a great influence on his character, and if he is treated as a machine, as a slave, he tends to become mentally mechanical, servile. True, the end of production is consumption, but the interests of the latter do not justify the ignoring of those of the former. The community as a body of travellers may benefit from cheap railway rates, but should not secure this boon at the cost of over-worked, ill-paid railway operators. Industrial efficiency and scientific management may be excellent devices for producing in increased bulk at lower costs, but if they deaden the worker's intelligence and turn him into an automaton they are a menace to human progress. The syndicalist is on good ground when he preaches the interest of the producer.

Having admitted these two merits, critics pass on to indicate the weak spots in syndicalist aims and methods. The main lines of criticism can be briefly outlined. (1) The denial of the utility of the political weapon is partly due to hasty generalization without careful analysis. No real attempt is made to answer the question, "Why has political action been so unsatisfactory?" and "What are the limits, and what the essentials, of successful political effort?" The failure of a labour or socialist party does not necessarily mean that political action is bound to fail. The failure may be due to the undemocratic character of the political machine, the numerical smallness of the party's representation, the inadequacy of its programme, the lack of character or ability of its leaders, the apathy and ignorance of the rank and file, the absence (or presence) of a labour press, or a host of other factors. But industrial action might fail because of similar weaknesses.

(2) Direct revolutionary action may lead to the millennium—or to defeat. Sabotage may hit the pocket of the worker and consumer as well as of the employer. Restriction of output, whether practised by employer or employee, is soon reflected in increased prices, and there may be little difficulty in "passing on" the cost of sabotage to the purchaser. Further, workers who practise sabotage for years must inevitably lose that capacity for good workmanship which would be essential to the success of a syndicalized industry.

(3) The general strike would depend for its success upon a combination of favourable circumstances which would be hard to obtain. Perfect solidarity and unity of ideas among the workers would be necessary; the police and army would have to be won over, as would also the middle class—the "little bourgeoisie"—from which strike-breakers are often drawn. Even if the strike were complete and black-leg proof, the poor would suffer more and sooner than the rich. The latter could get food if any was to be had, no matter what its price; the stoppage of transit would not affect them, for they would have their cars, and if life became too unpleasant for them in one place they could slip away in search of peace, food, and rest. In short, the general strike, be it ever so peaceful, would be, like all strikes, a test of endurance, to see which side could hold out the longer; and if the issue at stake was the fundamental one of the ownership of property, the

capitalist would hold out much longer than he does in resisting claims for higher wages or shorter hours.

(4) The syndicalist aim provokes many questions. Even assuming that the general strike was successful, that the sabotaged factories could be quickly repaired, that credit abroad remained unimpaired, that raw materials could be imported, and finished goods still found their old market; assuming that non-syndicalized countries did not institute a blockade, and that the fighting units of yesterday became the producing and distributing units of to-day, what then? Problems of administration will depend for their solution upon the extent to which the technicians and managers are with the manual workers. If these sections are hostile, the unions must find managers, etc., from among their own ranks, which may not be easy, unless the industry has already given its employees a large share of experience in control by means of shop committees, etc. The application of democratic methods to the selection and control of executive heads has its problems. The skilled expert or managing section will have to survive; its members must possess ability and scientific or business knowledge, and their appointment to positions must therefore be determined by careful test rather than by any form of popular election. The lower grades of supervision, especially foremen, might be chosen by ballot, as might also shop committees. Experience in co-operative production, where the workmen control the management, has been so disastrous that one cannot look optimistically upon the success of syndicalized industry.

The Clash of Rival Interests. Syndicalism is to abolish the class war by destroying the capitalist class. But the possibility of class friction will still remain in a double form—(a) clash of interests between producer and producer, (b) clash between producer and consumer. (a) If each industry were under the control of its own workers, there would be a temptation to a numerically strong and important industry to act according to its own interests, rather than those of other industries or of production as a whole. Where each union had a monopoly of its industry, its policy would be open to all those faults of stagnation or exploitation which monopolies exhibit to-day. This might be eliminated by the growth of a general sense of public duty in all sections; it might be checked by a central body representing all the industries, into whose hands the control of inter-union relations would rest. But the work to be done by such a body would be so immense that the central authority might develop into a despotic bureaucracy; or, on the other hand, a big industry, dissatisfied with the decision of the supreme body, might revert to the policy which created the syndicalist society, and try to hold up industry by a strike.

(b) Syndicalism, by placing the interest of the producer paramount, opens the way to exploitation of the consumer. Collectivism is condemned because it thinks only of the consumer, and ignores the rights of the producer; syndicalism can be condemned for reversing the process. It is true that in a society freed from drones each man would be at the same time a producer and consumer. But his interest as producer is to get the biggest price for his labour; his interest as a consumer is to get the goods he requires as cheaply as possible, and so increase the purchasing capacity of his earnings. Syndicalism gives play to one side only of his nature, and thus opens the way to a veritable civil war, in which strong unions might try to exploit the remainder of the community as much as possible.

If then we are to choose who shall rule, consumer or producer, we must decide in favour of the former, since all are consumers—syndicalism disfranchizes the housewife—and consumption determines production. But to give the consumer the whip hand means collectivism, and collectivism means bureaucracy, the negation of industrial freedom, the servile state, and an exploitation of the producer. We are on the horns of a dilemma. We cannot entrust the worker to the mercies of state management; we cannot hand over the community to the mercies of organized sections of producers. Is there no other way out, which while ensuring the interests of the consumer will give the producer a measure of self-government in determining the conditions under which he shall work?

National Guilds. An answer to this question is found in the proposal put forward in England about 1910 by a group of "intellectuals," of which Messrs. Penty, Orage, Cole, and S. G. Hobson are the leading spirits. The answer is that safety lies in a balance of power between the state, as representative of the consumers, and big unions of guilds, federated in a national guild congress, as representative of the producers. The respective sphere and power of each is to be clearly marked out; the state is to own the means of production, the guilds are to administer them, and on all matters on which there is a possible clash of interests the two sides are to meet in conference.

The doctrine of national guilds is the British counterpart of French syndicalism and American industrial unionism. By the end of the first decade of the present century the wave of dissatisfaction at existing trade union and political aims and methods was rising high. Industrial labour could think only of wages and hours, political labour only of bureaucratic nationalization. Into this atmosphere of discontent came ideas from France and America. But syndicalism was too violent, too doctrinaire, too anti-state to suit the British mind, while American proposals for big unions seemed to leave the question of aims unanswered. A plan, peculiarly British in its acceptance of compromise, was therefore evolved. It accepted the American stress on the need for industrial unions; it approved the French idea that the rights of the producer can no longer be ignored; but it refused to consider the total abolition of the state and the complete surrender of economic control into the hands of the producers.

The keynote of the national guild idea, or *guild socialism*, as it is also called, is democracy in industry, as well as in politics. "The worker must be regarded not simply as a 'hand,' a decreasingly important adjunct to the industrial machine, but as a man among men, with rights and responsibilities, with a human soul and a desire for self-expression, self-government, and personal freedom. . . . The crowning indictment of capitalism is that it destroys freedom and individuality in the worker, that it reduces man to a machine, and that it treats human beings as a means to production, instead of subordinating production to the well-being of the producer" (Cole). The fundamental evil of modern industry is not poverty, but slavery; the worker has no control over his work, over the conditions under which it is carried on, or over the distribution of the wealth he creates. Hence the problem is partly one of distribution: but it is far more one of control, of freedom. "Abolish serfdom!" is the cry of the national guildsman; give to the worker the control of his life and work, free him to choose whether he will make well or ill, liberate those faculties which to-day are crushed

and ignored; make men the masters of their work, as you theoretically made them the masters of their political destiny. How?

Guilds at Work. The guild is to be a big industrial union, including all who work in an industry, from the office boy to the general national manager It will be a democratic association, applying the principle of self-government in many ways. Each guild will have its districts; in each district there will be works, and in each works many shops. In each of these areas control will be in the hands of elected officers, checked perhaps by committees. The shop committee, elected by all the workers concerned, will supervise the work of the shop, and foremen will be chosen by those they are to control. Each shop will have its representatives on the works committee, the board of management. The various works will elect district committees; the national guild executive will contain representatives of the various districts and crafts. The general manager and the technical experts will be chosen by the committees for which they are to work, though for these posts thorough tests must be passed by all candidates for election. In short, the principle of election, tempered where necessary by tests of ability, will be applied through all the grades, and the individual workman will feel that his actions are governed by men who have the support of the majority of his fellows.

The guilds will govern all that relates to production. Kindred guilds will work together, and for bringing raw material from abroad some central authority might be provided. General policy will be determined by the national congress of all the guilds, or by each national guild executive; but details of organization or procedure will be left to the district, works, or shop committees.

When the disposal of the product is reached, the producer comes into touch with the consumer, and state intervention must therefore commence. In order to prevent exploitation, it may be necessary for the state to control prices, or to share such control with the guild. Further, the state can protect the consumer from excessive prices because of its control of taxation. Each year the political authority will require a certain sum of money; it will send to the guild congress a statement of its requirements, and the congress will then allot to each industry the task of raising its quota. The higher the net return per worker the greater will be the sum required in taxation, and thus an industry which secures a big income by charging high prices will have to bear the heaviest taxation. The state might also have a voice in determining what portion of the national wealth should be devoted to investment, etc., since the means of production are its property. Any dispute between the industrial and political parliaments might be settled by a joint sitting of the two bodies. But all this work would take up only a small part of the state's time, and the government would therefore be freed to devote its energies to its proper sphere—the encouragement of education and culture, the organization of justice, and the promotion of morality, defence, and happy international relationships.

Comments. Guild socialism is a big improvement on syndicalism. It stands midway between state socialism and syndicalism; it attempts to gather up the virtues of both, avoiding the bureaucracy of the former and the exploitation by the producer inherent in the latter. Its advocates differ on many minor points and some important ones. Its criticism of the evils of capitalism is fairly sound. Its sweeping analysis of the wage-earner's aspirations is partly fanciful. Its proposed details of organization are

open to some of the criticisms raised against syndicalism. The chief difficulty arises from its advocacy of a balance of power, a dual monarchy. Social activity is divided into two spheres, and for each a supreme sovereign is provided. But can such a complete division of functions be made? Can overseas trade and the purchase of raw materials be given to one body and international relations to another? Are not foreign affairs tied up with questions of raw materials, tariffs, markets, etc.? The same difficulty would arise in railway policy, which must consider strategic as well as economic factors, in education, and other departments. One cannot draw boundaries in economic life as one can on a map, and the national guild would often find itself struggling with the state for the control of the politico-economic no-man's-land. In those spheres in which the guild socialist admits equal rights to the state, the balance of power would be unstable; a dual sovereignty means the constant possibility of a deadlock, and if there is no supreme authority to decide the matter, no chairman with a casting vote, what is to happen? "It is almost impossible to imagine such a deadlock arising in an equalitarian society," says Cole, but the very fact that it is an equalitarian society and that neither partner is the senior partner makes it all the easier to predict such a deadlock. In such circumstances, since the guilds hold the property, paying rent for it in the form of taxation to the state, they can surrender their lease and go on strike; then, if the state cannot rely on finding black-legs, it will have idle property on its hands, unless it brings in the army or police to work it; but surely there would be an army guild and a police guild. The position is untenable. Guild socialism gives an unreal power to the state, since ownership is useless without control. There must be an ultimate authority, a sovereign, and that sovereign must be the state.

How is guild socialism to emerge from the present system? Workers may gain gradually some measure of control, for instance, in the choice of foremen. Beyond this they may creep to greater powers, and even secure representation on the board of directors, but this will not affect seriously the capitalist's grip on the distribution of the product. The nationalization of finance might impair his control over investment; mines and railroads might become state property, and be managed on guild lines. Cole faces the final issue frankly, and sees little hope except in direct action. Get the workers into industrial unions. Win a little control here and there. But at the end must come the general strike or rebellion. "Apart from capitalist blunders, a catastrophe will be necessary to end the wage system. Only the man-power of an awakened people can defeat the economic power of a clever capitalism."

Influence of Syndicalism and Guild Socialism on Recent Developments.—The practical importance of the ideas described above lies not so much in their advocacy of any social revolution as in the attractiveness of the doctrine that the worker should have at least some control over the industry in which he works. The glamour of social revolution or general strike still attracts many in Italy, France, and Russia; but the Italian outburst of 1920 was only sectional, and ended with a grant of joint control, while the disastrous railway strike in France in the same year discredited the left wing of the C.G.T. and transferred the control of that body to the moderates.

Elsewhere the idea of workers' participation in control has won widespread support, and is the basis of many plans and demands formulated since 1914. In its mildest form it is embodied in Whitley Councils, works

committees, and the activities of shop stewards. In a few industries—*e.g.*, the American ready-made clothing trades since about 1918—joint control applies, not merely to the shaping of labour conditions, but goes on to seek the welfare of the industry by adopting scientific management, seeking to increase output and reduce cost of production, and establishing provisions for unemployment pay as a first charge on the industry. In such cases the unions still discharge their prime function—the protection of their members; but they no longer hold the doctrine that the success of the industry is no concern of theirs.

More ambitious interpretations of industrial democracy are found in the schemes put forward since the Armistice for the control of industries which had passed under government administration during the war. In Germany the constitution provided that the economic councils should have considerable power over both public and private industries. In Italy in 1920 the railroad workers secured the right to elect five members of the administrative board. In Great Britain miners and railwaymen urged that the mines and railroads should be nationalized and placed in the hands of bodies containing representatives of the employees and the general public. In the United States the railway unions put forth, and the Federation of Labour approved, a comprehensive scheme for the public ownership and democratic control of the railways. This scheme, which is known as the Plumb Plan, after its author, Mr. Glenn E. Plumb, counsel for the railroad brotherhoods, is a skilful attempt to provide a "here and now" proposal and to avoid that shadowy conception of the state which is the weak spot in pure guild socialist theory. Briefly, the Plumb Plan is as follows: (1) The railroads are to be bought by the federal government, payment being made in bonds. (2) The management is to be vested in a railroad commission, containing in equal parts representatives of the rank and file of workers, the managerial section, and the general public. The commission would control the general administration of the system, and be aided by district and local bodies similarly constituted. (3) Exploitation of the public is to be avoided partly by giving the public one-third of the votes on the managing body, but far more by keeping in the hands of the Interstate Commerce Commission the fixing of maximum freights and fares and any other powers necessary to secure adequate, efficient, and safe service, along with the supervision of plans for extensions. (4) Subject to this control, the railway commission is to be free to run the railways as it thinks best. As an incentive to effort, half the net surplus is to be distributed among all the employees. The other half is to be devoted to wiping off the capital cost and providing for new capital expenditure. The Plumb Plan was put forward when the American government was considering whether it should retain control of the railroads or hand them back to public enterprise. It decided to hand them back, as did the British government. But the Plan still lives, and like similar projects in other lands is now a recognized part of the objective of organized labour.

One other project influenced by guild socialist ideas is worthy of mention. After the Armistice houses were very scarce and building prices high. In order to get dwellings built quickly and at as low a price as possible, the building employees of Manchester formed themselves into a guild and offered to erect as many houses as were required at a cost covering little more than labour and supervision. Similar proposals were made in London and elsewhere, and details concerning capital and guarantees were

worked out. Whether the plan will succeed in getting houses built quickly and cheaply remains to be seen; if it does, it will give a fillip to the idea of workers' ownership and control and a new lease of life to what is really productive co-operation. (See Chapter XXVII.)

Bolshevism. The Russian experiments in government since the revolutions of 1917 are the most ambitious attempts yet made to establish workers' control in industry and politics. The first revolution was primarily an ordinary political transfer from autocratic to democratic government; but behind it was a strong socialistic surge, which expressed itself in the formation of councils (soviets) of workers', soldiers', and peasants' deputies. These soviets took control of large slices of political and economic life, and the Bolshevik triumph of November, 1917, was followed by an attempt to build them into an elaborate constitution as organs of government in the Russian Socialist Federated Soviet Republic.

The "fundamental task" of the revolution was "the abolition of exploitation of men by men, the entire elimination of the division of society into classes, the suppression of exploiters, the establishment of a socialist society, and the victory of socialism in all lands." This was to be done by stripping the bourgeoisie and its satellites of every shred of political and economic power, and by erecting a purely proletarian society. The political dictatorship was easily established. Rural and urban soviets were set up to deal with local affairs. From them delegates were sent to provincial, county, or regional congresses, while the urban soviets and provincial congresses sent representatives to the All-Russian Congress of Soviets, the supreme power in the land. This body was to meet twice a year, in order to review past and future policy, and elect a smaller body, the Central Executive Committee. From this committee the executive heads—the People's Commissars—were chosen and held ministerial office, subject to the control of the Committee.

There are three important features of this constitution. (1) The central bodies are composed of delegates from urban or provincial bodies, not of directly-elected representatives of the citizens as a whole. (2) The bourgeoisie is completely disfranchised. Persons who employ labour in order to make a profit, persons who receive an income from property, private merchants and middlemen generally, monks and clergy, all are deprived of a vote. Only labourers and employees, soldiers and sailors, peasants who employ no labour, and the womenfolk of these persons are allowed to vote or eligible for election. This excludes all peasants but the poorest. (3) The composition of the soviets is so arranged as to give preponderance of power to the town workers. In the urban soviet an employee may vote in four different capacities: the factory in which he works is entitled to choose deputies; his union chooses some more; the ward in which he resides has its delegates, and, finally, his political party is entitled to representation. Election is by show of hands at meetings; soviets decide their own rules of procedure at elections, and enjoy the right to recall any unsatisfactory delegate.

The political victory of the proletariat was easily won. The economic problem was not so simple. In the first flush of revolt it was easy to declare factories, banks, land, etc., national property. It was easy for the employees to evict the managers and technicians, to talk of workers' control, to elect managers and committees, and to turn a workshop into a talking shop. But this destruction of capitalism soon looked dangerously like the

destruction of production—such production as still survived after three years of war and blockade. The administrative and technical staffs had gone, sometimes sabotaging the plant before they left, and there was no one capable of taking their place. The old discipline had melted away in the factory as in the trenches, and the atmosphere of war-weariness and revolutionary exultation did not brace men to impose a new discipline based on a sense of public duty. Blockade, war, starvation, disease, the depreciation of industrial equipment, and the collapse of railroad transport all added to the confusion.

The plans drawn up to reorganize industry started out with the intention of establishing direct workers' control; but they were changed and modified frequently in the light of experience or under the pressure of dire need. Some of them never got off the paper on which they were written. Without going into a whirl of intricate obscure detail, we can indicate the chief features of Bolshevik economic organization.

(1) All persons over 16 and under 50 years were subject to compulsory labour, and could be sent from place to place like a private soldier. Industrial conscription was enforced, strikes were illegal, and in 1920 the red army was transformed into a labour army, which undertook productive or reconstructive tasks under military rule in the intervals between one campaign and the next.

(2) The nationalization of industries was at first sporadic, and the plants passed into the hands of local soviets or workers' committees. In 1918 the government began to systematize further expropriations and to organize control of a national scale. The area of nationalization was steadily expanded, until by the middle of 1920 about 5,000 enterprises, including banks, mines, oil fields, locomotive, machinery, electrical, textile, and other works had passed out of private hands. Here and there a few firms, chiefly small ones, were left alone, but the number gradually diminished, and by 1920 about nine-tenths of the industrial equipment of the country was state property.

(3) It soon became evident that economic control must be centralized, just as political power had been in the Council of Commissars. At first the local soviets or workers' committees took matters entirely in their own hands; they assumed a narrow outlook, thought only of the requirements of their own workers, produced no surplus for the wider market, and had difficulty in getting their fuel and raw material. The non-manual workers had usually been evicted or allowed to leave. Therefore the first step necessary was to get these people back, pending the time when the proletariat should have trained its own technicians and administrators. This was done by offering them high salaries—in some cases twenty times as high as that which Lenin received—and by insisting that they should have adequate representation and power on all committees dealing with economic affairs. These expedients were fairly successful; the technicians and administrators were soon back at work, and their power gradually increased almost to its pre-revolutionary size.

The second step was towards centralization and simplification of control. In March, 1918, the workers' committees were deposed in favour of an elaborate system of committees representing workers, technicians, managers, the central government, and political, scientific, co-operative, trade union, and peasant organizations. This arrangement seems to have been cumbersome and unworkable, and so power was next concentrated in the hands of the

trade unions and the Supreme Council of National Economy. The trade unions changed their name to "professional alliance" and their structure to industrial unionism. Each industry had its union, embracing all grades of workers, from the office boy to the managers. Membership was in theory compulsory, though this point was not pressed. Since all workers in a factory were in the same union, the local union committee and the workshop committee were the same thing. The thirty unions were closely federated in the All-Russian Council of Professional Alliances, which at its annual convention elected a Central Executive Committee. In structure, therefore, Russian unionism resembles that advocated by national guildsmen.

This Central Executive Committee (C.E.C.) is the economic head of Russian industry. The Supreme Council of National Economy is the political head. It has its local and regional councils throughout the country. It controls general economic policy, co-ordinates the activities of the various state departments, authorizes further confiscations, and generally handles production, distribution, and finance. Its members are chosen by cabinet, after consultation with the C.E.C. It divides its domain into some sixty sections, over each of which it places a small committee, selected after a preliminary agreement with the C.E.C. In 1920, 36 per cent. of the members of these sectional committees were described as workers, 34 per cent. as technicians or engineers, 22 per cent. as clerical workers. Most of the sectional committees have gathered the factories under their control together into trusts, and in 1920 2,500 works were grouped into 180 trusts. Each trust has its committee, composed of workers and specialists, who are appointed by the section controlling the industry after agreement with the union for the industry. Finally, each factory is supposed to have a committee of management, in addition to its workers' committee (the local union executive). The management committee of the factory has suffered many changes since 1917. At first the workers had control; then came representation of the technicians, of the C.E.C., and of the Supreme Council. By 1919 the workers' committee had lost most of its old power, and management was in the hands of a group of three men, chosen in equal parts by the workers in the factory, the C.E.C., and the Supreme Council. By 1920 even this arrangement was being discarded, as will be shown in a moment.

In all this scheme for control the central union organization was given large powers, especially of nominating, approving or opposing persons for managerial posts. It also claimed the right to pick the heads of the Commissariat of Labour, to draw up wages lists, which were then presented to the Commissar of Labour for ratification or rejection, to conduct factory inspection, and generally to control the regulation of industrial conditions by the state. If we remember that in addition to all these powers each factory and local union has its delegates in the soviet, it is evident that enormous power is apparently in the hands of the labour organizations. The unions are, in fact, "organs of the state power" and the basis of the structure which directs economic life. This is not syndicalism, for the political head has too great power; early in 1920 the left wing of the Social Revolutionary Party at its conference demanded the complete transfer of industrial control to the All-Russian Council of Professional Alliances—a demand for syndicalism which was condemned by one Bolshevik Commissar as a "big backward step." It is not pure guild socialism, for the unions have to let the political head share control at every turn. Still, insofar as he attempts to

secure a balance of power between the state and the unions the Bolshevik is at least first cousin to the national guildsman.

In actual practice the balance has been unstable, and the political head has more and more superseded the economic since 1919. This is due partly to the external pressure of the blockade and hostile armies, which compelled the soviet government to be more dictatorial than ever in its marshalling of men and resources. Production was the first consideration, and any institution or method of control which failed to "deliver the goods" must be discarded. At the same time, internal factors had their influence. The central government was a party government; the dictatorship of the proletariat was a dictatorship of the Bolshevik party, a party numerically small but active and determined to stick to power. Hence there was a strong temptation to depress or bring under strong control any possible rival authority—*e.g.*, the co-operative societies and unions, and to fill positions with faithful supporters, who would acquiesce in any action of the central authority. Finally, it was recognized that management by committee had failed in the majority of industries. It is doubtful whether any other system would have been either acceptable or successful in view of the revolutionary temperament, and the lack of fuel, equipment, food, and transport. But in the minds of the leading Bolsheviks hard necessity compelled an abandonment of the faith in collective management and a recognition that the capitalist without could be fought only by adopting many of the methods of the enemy.

We see this change of front in the virtual abandonment of election of army officers early in 1918. This step was justified by Trotsky on the ground that so long as officers were chosen by a bourgeois government the rank and file must strive for the election method; it was a move in the political struggle rather than a method of appointing officers. The position was changed when the working-class, through its own government, appointed its own officers. In April, 1918, Lenin preached the need for "iron discipline during work, with absolute submission to the will of one person, the soviet director, during work"; he urged the study of scientific management, the trial and adaptation of the Taylor system, and the re-employment of "bourgeois specialists" at high salaries. Nearly two years later he fearlessly attacked collective management at the All-Russian Congress of the Council of National Economy. While admitting that representative committees were necessary in the revolutionary stage, "the transition to practical work calls for individual management as the system which more than any other assures the best use of human abilities." "Collective management at the best causes an enormous waste of effort and hampers the speed and accountability of work required by the conditions of a centralized large industry." In theory, each member of any committee had some specific task assigned to him, for the execution of which he bore individual responsibility; "but every one of us who has practical experience knows that only in one out of a hundred cases is this followed in practice." "We must commence building our state from all sides on the basis of the methods of large machine industry," and this demands the abandonment of that ideal of workers' direct control which had seemed to be the foundation-stone of Bolshevik economic policy.

When Lenin made this frank confession, the change for which he pleaded was already well under way. In 1919 one-man management replaced committee control in many important works, and the policy of appointing

dictators went on unchecked in 1920. In March, 1920, an official report showed that out of 260 enterprises in Petrograd 134 were individually managed. In the small enterprises the former owners were usually still in charge, and most of the factories which had changed their form of management since January, 1919, had gone over to individual control. Further, the majority of the directors were not workingmen. Of the committees still in charge 49 per cent. were drawn from the manual worker class; of the individual managers only 29 per cent. The British Labour Party delegation which visited Russia in the summer of 1920 found one-man control of factories general. Whether this development has spread to the trust committees and the committees controlling the various sections of the Supreme Council of National Economy we do not know, nor do we know to what extent the unions still control appointments to the various positions. A series of "theses" on the position and duties of the unions, written by Commissar Zinoviev, in February, 1920, suggests that the subordination of the unions to the soviets and the Communist Party was necessary in view of the growing dissatisfaction against labour conscription and the hostile attitude of the river transport and printing unions on wages matters. We do know that rigid discipline has been imposed, that overtime is allowed, that piecework and premium bonus systems have been introduced, and that the growth of political control over economic life tends to produce in Russia a system little different from the collectivism or "state capitalism" which prevails in other parts of the world.

Books Recommended. Stoddart, J., "The New Socialism"; Harley, J. H., "Syndicalism"; Levine, L., "Syndicalism in France"; Sorel, G., "Reflections on Violence"; Cole, G. D. H., "The World of Labour," "Self Government in Industry," "Social Theory"; Hobson, S. G., "National Guilds"; Penty, A., "Old Worlds for New," "Guildsman's Interpretation of History"; Brissenden, P., "Story of the I.W.W."; Postgate, "Bolshevik Theory"; Lenin, N., "Soviets at Work"; Russian Constitution. There is no good book yet on the working of Bolshevik economic policy.

P.S. The year 1921 saw the re-opening of the door to foreign trade and to private enterprise. Factories were handed over to capitalists; banking, distribution, theatres, etc., were placed on the old basis, and large concessions were granted to foreign financial groups. Though the Bolsheviks retained political power, their economic policy had to be trimmed, watered down, and in part abandoned—or postponed. Meanwhile other countries realized the folly of ostracising Russia; trade agreements were made, and in January, 1922, Lenin was officially invited to participate in a conference called for the purpose of attempting to restore the fabric of the European economic system.

CHAPTER XXV.

WELFARE WORK, CO-PARTNERSHIP, AND PROFIT-SHARING.

Trade unionism, socialism, syndicalism, and guild socialism are all parts of the attack made upon capitalism by the employee class. They have been met generally by an assertion on the part of capitalists that the system is "all right," in this the best of all possible worlds. But the assertion is not quite unanimously supported, and in many lands a few voices have been raised in dissent. These voices, while defending capitalism in its general outlines, and opposing strenuously the proposals of the socialist and the syndicalist, have nevertheless been willing to admit that all is not as perfect as it might be, and that some improvements could be made, especially in the attitude of capital towards labour. In the industrial war labour has generally been on the offensive, and capital in places has been willing or compelled to vacate its front-line trenches.

We said "willing or compelled." Instances are not wanting where employers have realized that the old system could with advantage be amended, and have therefore on their own initiative taken steps which do not accord with the traditional policy of their class. There has been no compulsion on them. They have acted either from humanitarian motives, or from a recognition that certain improvements would benefit both their employees and themselves. But in the majority of cases compulsion or fear have been the moving forces. The growth of a strong political party, the rapid advance of unionism, the outbreak of a strike fever and period of labour unrest, these menaces to peaceful industry are necessary to evoke from any big body of employers the admission that improvement is possible. During such periods suggestions for welfare work, profit-sharing and co-partnership become most prominent; but when normal times return the zeal for reform subsides, though not without leaving its mark on the organization and methods of some firms.

Welfare Work. This mark may be merely what is called welfare work—*i.e.*, an effort to foster the well-being of one's employees during their working and leisure hours. Welfare work dates back to Robert Owen, whose experiments at New Lanark showed that humane treatment of workpeople was not incompatible with substantial profits. Similar work was carried on by a few people here and there after Owen's time—*e.g.*, Krupp at Essen, Godin at Guise—but in the majority of industries no thought was given to the labourer's welfare. Low wages, long hours, unhealthy or unsafe conditions, all were regarded as natural; they were part of the policy of buying in the cheapest market.

Since about 1890 welfare work has made many converts, and such outstanding instances as Bournville and Port Sunlight in England, the National Cash Register, Ford, and Goodyear Tyre Co. establishments in America, are only the best known among thousands of firms which to-day seriously study the problem of employment in nearly all its bearings. The war gave a great impetus to the welfare movement. The demand for unlimited muni-

tious and the withdrawal of male labour caused a wider employment of women, increased hours, abolished holidays, revived Sunday work, and suspended factory acts. Output was the first consideration, but it soon became evident that long hours, insanitary factories, lack of rest and recreation, bad housing, poor food, and ill-health had their effect in producing industrial fatigue, low output, and frayed tempers. The Ministry of Munitions in 1915 therefore began a big campaign of welfare work, especially for women workers. In 1918 there were 800 welfare supervisors in munition factories; the universities offered courses of training for the work, and far-reaching official investigations were made on industrial fatigue in its various aspects. Similar developments took place in France, Italy, Germany, and America.

The motives underlying welfare work are mixed. The first is that which leads the employer to regard the wage-earner not as a "hand," but as a human being, who should be treated as a man and not as a machine. The second regards "business efficiency and the well-being of the employees" as "but different aspects of the same problem" (Ashley). The war taught that "if a maximum output was to be reached—still more if it was to be maintained for a protracted period—it was all-important that the health and well-being of the workers should be carefully safeguarded" (Mr. Ll. George). Industrial success depends on efficient organization, mechanical equipment, and commercial acumen; but it depends even more on the "individual health, mental development, and moral well-being" of the employee, upon his general attitude and feeling towards the firm—in short, his goodwill. In America this efficiency motive predominates, and much is done simply because it is "good business." All talk of *welfare work* is scouted; whatever is done is undertaken solely to promote increased output or reduced cost of production, and is described as *efficiency work*. It is a means to an end, and that end is not the well-being of the worker but the progress of the firm. The third motive is fear, fear of growing unionism, of industrial strife, or revolutionary ideas. This motive was given added force by the trend of labour thought since 1914, the repercussions of the Russian Revolutions, and the epidemic of strikes since 1918. In Australia welfare work has been undertaken largely in the hope that it will bring industrial peace and minimize the possibility of strikes. In other countries also it is an attempt to insure against labour unrest.

Of the varieties of welfare work there is no end. In the factory itself attention is given to lighting, ventilation, temperature, cleanliness, the removal of dust and fumes, the provision of seats, drinking fountains, cloakrooms or lockers, etc.; the employee's health is safeguarded, and his eyes and teeth may be cared for; "safety first" is preached, and elaborate provision made for the prevention and treatment of accidents. "Hiring and firing" are organized, and attempts made to train workers for their jobs or to fit square pegs into square holes. Hours are reduced, rest periods introduced, and some firms have abolished work on Saturday mornings. In order to make the wages go as far as possible, stores are established, at which goods can be bought almost at cost price; sickness, accident, and old-age benefits are instituted. Dining rooms are provided, and meals sold at cost price, or below; rest rooms and lounges are general. Social life and recreation are encouraged, young workers are persuaded (or compelled) to take educational courses. Finally, where the firm is located out in the country, houses, parks, libraries, playing fields, concert halls, gymnasia, and other

adjuncts to social life are part of the welfare plan. Thus attention is given, in cases where welfare work is fully developed, to the environment in which the employee spends his working hours, the conditions of the wages contract, and the aids to material and social well-being during the hours of leisure. In a growing number of cases the control of these varied provisions is in the hands of joint committees of employees and employed, and some welfare firms have passed on to joint control of their industrial conditions by establishing shop committees, works councils, etc.

The Basis of Co-partnership and Profit-sharing. But welfare work leaves untouched the most vital problem of industry. It leaves entirely in the hands of capital the disposal of the surplus. The labourer still gets nothing but his wage; his labour is delivered, his life spent, in more congenial surroundings; but he has no direct interest in the industry beyond the fixed weekly wage. Welfare work leaves the capitalist structure unchanged; it merely alters the employer's attitude towards his work-folk and makes him recognize more fully the human element in them.

This, say many, is not enough. We must go deeper. The gulf between capital and labour must be bridged. Both are in the same boat, and the sooner they learn to pull together the better it will be for both of them. Mazzini once declared that the progress of the worker was from slave to serf, from serf to wage-servant, from wage-servant to partner; and the advocates of co-partnership declare that the time has now fully come when the wage-servant shall step to the status of partner. The employee must feel that he has a direct proprietary interest in the progress of the business; that its prosperity will mean greater prosperity for him; that he is more than a hireling. The word partner is to take on a new meaning. In the past it was applied to the men who provided the capital, and to them all the profits went. But now the man who provides the labour must be regarded equally as a partner, and when the profits are shared out the labour-partner is to receive his share along with the capital-partner. A new principle must guide the distribution of wealth. It was well outlined by the late Earl Grey as follows: "If there should be surplus profits available for division after labour has received its fixed reward—*i.e.*, trade union rate of wages—and after capital has received its fixed reward—*i.e.*, the rate of interest agreed upon as the fair remuneration of capital; I say, if after these two initial charges have been met, there should be left surplus profits to distribute, that instead of their going exclusively to capital, they should be distributed between labour and capital on some principle of equity."

Having got so far, we must distinguish between profit-sharing and co-partnership, for the two terms are often used indiscriminately. In some schemes labour's share of the profits is handed to it in cash, or put into a provident fund. It is a money payment. This is profit-sharing. In other schemes the worker's part of the profits is absorbed by the business, or is used to buy shares, which are then allotted to the employee. He therefore becomes a shareholder in the company, a capital-partner. This is co-partnership. Obviously the latter method goes deeper than the former, in that it transfers to the employee by virtue of his labour a part in the ownership of the business, and gives him at least some of the rights and responsibilities of a shareholder.

Motives. Since the sixties of last century hundreds of profit-sharing and co-partnership schemes have been inaugurated in England and elsewhere. In the United Kingdom nearly 400 were established between 1865 and 1913.

In France there are outstanding successful experiments, such as that of the house-painting firm of Leclaire in Paris. American firms, such as Westinghouse and the International Harvester Co., have established systems, and in recent years several large Australian companies have instituted schemes which compare favourably with those of other lands. Instead of describing a system here and there, it may be better to present a composite photograph to show how profit-sharing and co-partnership schemes are constructed and operated.

The motives underlying action on the part of an employer are similar to those which produced welfare work. (1) The desire to prevent employees from joining trade unions, or to entice them from unions already joined. This motive played a prominent part in the early days. A profit-sharing scheme was established at Briggs' colliery in Yorkshire in 1865 in the hope that the men would accept it "as a substitute for trade union organization." This hope was doomed to disappointment, and the scheme was abandoned. The South Metropolitan Gas Co. (London) laid down as one of the essentials of its co-partnership plan (1889) that no one should be employed unless he signed a declaration that he was not, and would not become, a member of the Gasworkers' Union; but in 1902 this veto was withdrawn. In America schemes frequently had the same aim. In most cases this motive has brought failure in its train; it might work well where the employees were unskilled, clerks, young persons, or women, but most male adults chose the union in preference to profit-sharing. Since 1900, therefore, most advocates of co-partnership have abandoned the hope of using it as a hammer to break unionism; they have recognized that the union has come to stay, and that in all their plans they must admit its existence and its value to their employees.

(2) The desire to prevent strikes and preserve industrial peace. It is hoped that if workmen feel they have a direct interest in the welfare of a firm, and that their prosperity is wrapped up in its progress, they will not join in strikes, since they may already be getting the things for which workers in other firms are fighting. Also it is thought that a strike may be prevented if the men know that a stoppage of work might lead the employer to abandon the whole profit-sharing scheme. Beyond that is the hope that such a scheme may create an atmosphere of greater mutual confidence, thanks to which any grievance or dispute can be amicably settled.

(3) The desire to increase efficiency and productivity. If men feel that they are a real part of the business, they will work better, use machines, tools, and material more carefully, accept efficiency methods more willingly, and produce more goods and better goods. By offering a share of the profits the sum of profit will be increased.

(4) The desire to break down the non-human relations which characterize modern industry. Here and there an employer has been fired by the teachings of Ruskin, the eloquence of some co-partnership propagandist, or the promptings of his own conscience, to break the cash-nexus and realize the essential humanity which ought to underlie business. Out of this has come a determination to work for the benefit of his employees as well as for himself, to ally their well-being with his own, and to make them partners with him of whatever good fortune may result from their united efforts. All these motives have had their weight in inducing men to establish new schemes and to work out detailed plans built on the principle or expedient they have adopted. Let us look at the details.

Details. The first question is, "Who is to be included?" In a few cases all employees, but in most instances only certain qualified persons are admitted. A period of one to five years' service may be called for; only those over 21 years of age may be included, or only the clerical and technical staff. Wunderlich, Ltd. (Australia) excluded all wage-earners from its co-partnership scheme established in 1914, because "experience has shown that in this country at least the largest conceivable contributions among wage-earners would be of comparatively insignificant consequence to the effect of wages boards' decisions. It is against the law to ask wage-earners to contract themselves outside the general conditions of the trade; and in spite of the greatest benefits it were possible to offer they would still be under the control of their respective trade unions, and compelled to participate in strikes if called upon." The scheme was, therefore, to apply only to those "who have stepped out of the ranks into a superior position," and who in the opinion of the directors had "shown marked ability and originality in forwarding the interests of the firm." Limitations such as these exclude casual workers, and profit-sharing schemes usually touch only those who can look upon their job as more or less permanent. Hence in the various British schemes at work in 1912 only about 57 per cent. of the employees in the firms concerned participated in the profits.

What do they get? Two things—a wage and a share of the net profit. The wage is generally the union rate for industries in which there is a union. The leading advocates of profit-sharing declare that their proposal "assumes a standard wage before there can be any talk of profits to divide. A standard wage assumes organization to maintain it and to raise it; it assumes reasonable forms of trade unionism, collective bargaining, the meeting of capital and labour on equal terms, with conciliation machinery to fall back upon when outstanding differences remain." Secondly, labour gets a share of the net profit. Out of the gross income the various costs of production have to be met—wages, salaries, raw materials, depreciation, additions to reserve, rent, rates, taxes, and a fixed rate of interest to capital. What is left is net profit, and a certain fixed percentage is set aside for distribution among the wage-earners in proportion to their annual earnings. The percentage varies widely in different firms, but in most recent schemes half goes to capital, half to labour. For instance, in 1918 a Melbourne firm of merchants (Paterson, Laing, and Bruce) adopted the following plan: A fair wage to the employees, a fair wage (6 per cent.) to capital. "After the staff and capital have received what might be described as a minimum wage," and provision has been made for debenture interest, reserves, pension funds, etc., what is left is divided equally between capital and staff. The International Harvester trust (U.S.A.) in 1920 went one better. Capital gets 7 per cent., and of the net profit 60 per cent. goes to labour, 40 per cent. to capital. In 1912 participation schemes in England gave on an average a sum equal to 5 per cent. of a man's wage. Profit-sharing meant an extra 1/- in the £1.

How is the share paid? In many cases payment is made in cash at the end of the year. This has been the practice in about three-fifths of the British schemes, and is ordinary profit-sharing in its most simple form. In other cases, part of the share is paid in cash but the remainder is put into a thrift or provident fund connected with the works, from which sickness, old-age, or death payments are made, or from which women receive a dowry when they leave to be married.

Co-partnership. In an increasing number of companies the worker receives his portion of the profits in the form of shares in the company. The money may be incorporated in the capital of the firm as new capital, or used to buy shares on the market. Under such a policy, which has grown in popularity since 1890, the employees of the South Metropolitan Gas Co. own £500,000 of shares in that company, those of Lord Leverhulme over £750,000, whilst those of the Australian tobacco trust received 165,000 £1 shares between 1914 and 1920. The International Harvester's plan sets aside $60,000,000 of stock to be gradually passed over to its 40,000 employees. The worker's share of the profits is to be paid him partly in cash and partly in 7 per cent. preferred stock. In one Yorkshire textile firm, where co-partnership was adopted in 1892, the wage-earners in 1916 owned more than half the capital of the company, and in their dual capacity as shareholders and profit-sharers drew over two-thirds of the company's profits. But such a position is very rare; in 38 British gas companies practising co-partnership in 1915, only £840,000 of capital was held by employees out of a total of over £55,000,000.

These shares, though now representing large blocks of capital, are nearly all subject to some disability under which ordinary shares do not labour. They are often officially described as a "free gift," but the freedom is hedged round by limitations. For instance, they are seldom transferable, except to the worker's wife and children. They cannot usually be sold, though in a few cases sale is permitted after a share has been held, say, for five years. Further, the scrip is generally kept in the hands of the employer or of a committee of trustees, who may have power to cancel it in certain circumstances—*e.g.*, if the owner is convicted of insubordination, loafing, etc., or leaves the firm without the employer's consent. The share is a tie to prevent men from leaving in search of better positions. It frequently carries a lower rate of profit than do ordinary shares, though in the Australian tobacco and an increasing number of schemes the labour share draws the same rate as other stock. It does not as a rule entitle the holder to receive gifts of new stock when recapitalization takes place. But the greatest disability lies in the fact that in most instances the shares do not entitle the owner to a vote at shareholders' meetings. Here we have the real test of a co-partnership scheme. If labour is to be a partner, is its position to be that of a sleeping or junior partner, or is it to be admitted on terms of full equality? If the former, then the scheme masquerades under a false name, for the essence of partnership is sharing of rights and responsibilities. In fact, real co-partnership should give to labour a share in control because it is labour, not because of any shares it may secure under a co-partner scheme. This is admitted to some extent in some places. Of the ten directors of the South Metropolitan Gas Co. three must be elected by the employees, and a similar rule prevails in a few other firms. Elsewhere control remains entirely or predominantly in the hands of capital.

Extent of Movement. Between 1829 and 1919 380 profit-sharing or co-partnership schemes were established in British industries, most of them in years of industrial unrest. Of them only 182 were alive in 1919, and some of these had not yet emerged from their infancy. Only 36 dated back before 1901. The average duration of the schemes had been 14 years, though a great number succumbed before reaching their fifth birthday. In other countries there are instances of long-lived ventures, especially that of the Leclaire firm, which dates back to 1842. A British official return (1919)

shows the diseases to which schemes succumbed. Of 198 abandoned projects, 91 fell because of the apathy of the employees and the dissatisfaction of the employers at the results achieved. Success has depended on the nature of the industry, the motive behind the scheme, and the details of the plan adopted. Profit-sharing has been successful in private gas companies; but this industry enjoys a local monopoly, can always find use for new capital, has its dividends limited by law, employs its workers in a twelve months' contract, and is comparatively free from trade-union influences. Given good work and decent management a regular profit is assured, and so circumstances favour profit-sharing. Or a firm like Lever Bros., with its monopoly over the soap market, and its use of large masses of unorganized female labour, has little fear either of competition or of trade-union demands. A trust or monopoly can not merely get an assured profit, but can make it so large as to have a bit to spare for its employees.

Comments. It may be at once conceded that profit-sharing may materially improve the condition of some workers. But that benefit is not at the expense of the employer. The offer of a share in profits is generally made in the hope that the worker will be induced thereby to intensify his exertions, increase his productivity, and so enlarge the net profit of the firm. His share comes out of this additional sum; he may get half of it, but the remainder goes as extra profit to capital.

Secondly, nearly all schemes are despotic in inception and control. They have always been initiated by the employer, and the details are worked out by him. The labour partner has very little control over them. The despotism may be benevolent, but it is no less a despotism. All comes from above downward; the employer has the whip hand, and everything depends on his attitude. If he is a man of kindly personality and great ability, all may go well. But since the amount of the profit depends upon other things than hard work on the part of the employee, all may go ill. For instance, the net profit depends upon the ability of the management, the careful organization of the factory, successful purchase of raw materials, and skilful sale of the product, all of which count as factors in deciding whether there is to be a profit or a loss. But even assuming that the management is excellent, we are not yet out of the wood. For the employer alone decides what salaries shall be paid to managers and directors, how much shall go to reserves and depreciation, how much shall be taken for extensions, and what shall be the fair rate to capital. Finally, he determines the "principle of equity" on which the net profit shall be shared between capital and labour. All these things vitally affect the amount which is to be available for distribution, and the portion which is to go to labour; and yet labour has no voice in the decision of any one detail. That is queer partnership. Beyond this is the fatal objection that the whole scheme can be abandoned just as readily as it was commenced. The Australian tobacco trust, for instance, does not bind itself in any way to continue its yearly distribution of shares; this is quite optional on its part, and depends upon the general prosperity of the company and upon the employees recognizing and heartily responding to the generous efforts made by the directors on their behalf. The whole arrangement generally hangs by a slender thread, which may be snapped by a trade depression, by the anger of the employer at some workmen's outburst of discontent, or by a change of owner or manager. Co-partnership is autocratic, and autocracies are as unstable in industry as in politics.

Thirdly, co-partnership, as at present practised, cuts across the line of trade unionism. Theoretical co-partners declare that there is no antagonism between the two, but their picture is too rosy. For in its essence co-partnership strives to tie the workman up to the firm; trade unionism strives to make him a member of a solid working class. Co-partnership rests on a community of interests between one employer and his work-people; unionism on a community of interests of all wage-earners in a whole industry, or even in all industries. In a profit-sharing scheme the workman may get substantial benefits, but they are confined to that one firm. He has done nothing to raise the level of his whole class or craft as a trade union might do. The worker is called upon to make a decision; to which shall he be loyal—to his class or his employer? If the latter, he and his firm may help to break a strike, and so cause a decline in wages or prevent an increase; and since he is to be paid the trade union rate of wages, his own wages are kept down or pushed down. He may help to kill unionism, and when that is done he has to trust his fortunes to the mercies of an autocratic profit-sharing scheme. The wage-earner realizes this. He knows that his union is the only real permanent safeguard. At whatever cost he must stick to it, and if co-partnership and unionism cannot live side by side, all the worse for co-partnership. No wonder, therefore, if the trade union movement is almost solidly opposed to co-partnership. The stalwart class-conscious unionist will have little to do with what he calls "profit-snaring."

Conclusion. Profit-sharing and co-partnership, therefore, have made very little impression on the economic system as a whole. They are ripples on the surface of the water, caused usually by the occasional squalls of labour unrest. Had they been embodied in the industrial system fifty or seventy years ago, before the rise of unionism and socialism, and before class-consciousness had developed, they might have achieved much success. To-day their success is limited to firms where unionism is weak, or where the employer commands the affection and respect of his work-people. But the idea has little apparent hope of permeating industry generally; there is too much mutual suspicion to live down. It might be successful under three conditions. (1) If the partnership were admitted to be real and labour given its share of control. This would mean, among other things, the admission of labour to the work of devising and administering the scheme, and the election of workmen's representatives to the board of directors. (2) If the employers collectively worked openly in conjunction with the unions. One-firm schemes may have little hope; but since employers are organized in federations, and men in unions which may soon become industrial rather than craft unions, it might be possible for these two bodies to confer and formulate a plan for the whole industry. (3) If the shares given were of full status, and made it possible eventually for the labour partners to hold at least half the share capital.

Books Recommended. Fay, C. R., "Co-partnership in Industry"; Williams, A., "Co-partnership and Profit-Sharing"; Williams, F. G., "Industrial Peace"; Proud, D., "Welfare Work"; Webb, S., "The Works Manager To-day"; Withers, H., "Case for Capitalism"; "Welfare Work" (Federal Bureau of Science and Industry, Bulletin 15); "Industrial Co-operation in Australia" (Bulletin 17).

CHAPTER XXVI.

CO-OPERATION OF CONSUMERS.

Like socialism and syndicalism, co-operation seeks to make drastic changes in the structure of society. It has an ultimate ideal of a world in which competition, exploitation and profit-hunting will be replaced by mutual aid and production for use. But in almost every other respect it differs from the other two movements. It looks to no social upheaval or catastrophic change; it wastes little time fulminating at the evils of capitalism; it depends on shrewd common sense and business ability rather than on erudite scholarship and brilliant oratory. It has always found work ready at hand, and possesses a permanent motive force in the material self-interest which over-leaps all religious, political, and economic differences. Its achievements are to be found in the tens of thousands of co-operative societies scattered over the face of the globe, societies which have taken to themselves vast fields once exploited for profit.

Basis of Co-operation. As its name suggests, co-operation is the voluntary united effort of men to further some interest which they have in common. It is an expression of the desire for liberty, especially liberty from exploitation of any kind. That liberty has two aspects: it concerns men as producers and also as consumers. As a producer, the man with little or no capital cannot attain economic independence. He is forced to sell his labour to the big man, who uses it, along with that of a hundred others, to help in making profit. The wage-earner has no control over his labour, no control over the surplus. He is bound, and poor. Now if these hundred individual workers combine, pool their savings (and possibly borrow money from elsewhere), they can establish a factory. It will be their property; they will manage it, and receive whatever profit is made.

Similarly in agriculture, the small man, even if he owns the land on which he works, may be dependent on some other person. He has little capital of his own, he cannot afford necessary equipment; he cannot buy or sell in bulk. Hence he is in the hands of the money-lender, manufacturer, merchant, and broker, who may exploit him severely in lending him money, selling him seeds, implements, and manures, grinding his corn, curing his bacon, making his butter, or selling his produce in the market. But if he and fifty of his neighbours, similarly situated, combine, they can dispense with the middleman or bring him to reason; they can establish their own bank, buy in bulk, manufacture in bulk, sell in bulk, through factories and agencies which they now control.

Co-operation of producers has therefore been instituted, both in industry and agriculture. Freedom from the capitalist, financier, and middleman have been the motives driving wage-earners and small farmers towards co-operation; but while the wage-earners have generally been unsuccessful, agricultural co-operation has made very great progress.

The second form of co-operation is that of *consumers*. The individual consumer requires a great variety of commodities. These are provided by some capitalist, who as producer, manufacturer, or distributor brings the

goods within reach of the consumer, and in return extracts a profit from the transaction. Merchants, manufacturers, and shopkeepers flourish out of the needs of society, drawing from the pocket of the consumer not merely a fair rate of pay for their personal services, but also as high as possible a rate of profit on the capital which they use. But if a few hundred consumers join hands and pool their savings, they can establish their own store, which will be able to buy butter, flour, meat, clothes, etc., at wholesale rates and sell the goods to them almost at cost price. When the hundreds become thousands, the consumers' capital may be sufficient to erect factories in which the goods required may be produced. And when the thousands turn to millions it becomes possible to establish depots, farms, plantations, etc., overseas, provide ships to bring the goods from these distant sources, and erect factories for turning all manner of raw materials into finished articles, which are then sold to the consumer at the lowest possible cost. This is co-operation of consumers; it gathers together the small savings of masses of people, and uses them for supplying these people with their requirements. It eliminates the private capitalist, and establishes the principle of production for use rather than for profit.

The Rochdale Pioneers. Co-operation of consumers has scored its greatest triumphs in the United Kingdom, where the movement successfully started by the 28 flannel weavers of Rochdale in 1844 had over 4,000,000 members and handled nearly £300,000,000 worth of commodities in 1919.

Co-operation, however, dates back beyond the Pioneers. It found one of its first advocates in Robert Owen, whose schemes for a new moral world were based on co-operation and the elimination of profit. The model communities were not the only attempt to translate his ideals into realities, for during the twenties and thirties small societies were established and retail stores opened. In 1833 over 400 were in existence, and co-operative congresses were held. But nearly all these ventures, ambitious or modest in aims, eventually collapsed. Lack of unity, education, capital, or experience, all were responsible for their failure, and this first era seemed to prove that co-operation was as useless and futile as trades unionism.

After this darkness came the dawn. Late in 1843 a few Rochdale flannel weavers met together to see what could be done to improve their miserable condition. Wages were low, food was bad and dear, strikes and lock-outs always ended in victory for the employer. What could be done? Chartism offered little immediate relief, teetotalism touched only one side of the problem. Unionism had failed, and the lofty schemes of Owen had left behind nothing but debris. Emigration was out of the question, acceptance of poor relief abhorrent. What then was left? Co-operation, starting from small beginnings and growing gradually in stature until it superseded tradesmen, mill-owners, merchants and financiers. Instead of courting failure by beginning on a big scale, or trying to establish an isolated community, a start was made in the smallest possible way by the establishment of a retail store. But even a store required capital, and so during the next twelve months the 28 members contributed by instalments £1 each. With this a few groceries were purchased, a room rented, and in December, 1844, the Rochdale Equitable Pioneers' Society took down its shutters.

Behind this small beginning was a vision of big things. The object of the society was "to form arrangements for the pecuniary benefit and improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in £1 shares to bring into operation the

following plans and arrangements'': (a) The establishment of a store for the sale of provisions, clothing, etc. (b) The securing of a number of houses in which those members desiring to assist each other in improving their domestic and social condition might reside. (c) The manufacture of such articles as might be decided on, for the employment of members who were out of work or in receipt of low wages. (d) The purchase or lease of land to be cultivated by unemployed or badly-paid members. (e) ''As soon as practicable this society shall proceed to arrange the powers of production, distribution, education, and government; or in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.'' This was pure Owenism. (f) The opening of a temperance hotel in one of the society's houses. Communism was not yet dead; from the small store progress was to go towards an ultimate self-sufficing community, where the members would have houses, factories, and land owned and worked by the whole community on the basis of each for all and all for each.

The Pioneers steered clear of two dangerous rocks—religion and politics. Co-operation was essentially an economic affair, and concerned all as consumers. Hence it would be fatal to allow any discussion of political or religious questions to creep into meetings. No member was to be catechized as to his political faith or religious creed. Free Trader and Protectionist, Whig and Tory, Quaker, Roman Catholic, and Atheist, all were equally welcome since they were all united by the common bond of material self-interest. When we remember that Owen had wrecked many of his projects by ill-timed attacks on religion, and that socialism has been frequently checked because of the onslaughts made by its leaders on the churches, the wisdom of the Pioneers becomes more apparent.

Methods. The Rochdale weavers worked out a series of working rules, which have guided the movement to success from that day to this. Of these the chief were as follows: (1) Capital was to be provided by the members, and bear a fixed rate of interest. Membership implied the holding of one or more £1 shares, which might be contributed in small instalments. In addition to this minimum number of shares, a member might use the society as a savings bank, and deposit his spare money there, to be used as loan capital. But on share and loan capital alike only a certain fixed rate of interest was to be paid. (2) Only the purest provisions were to be supplied, and full weight and measure given. These rules were an innovation, and contrary to the practice of many manufacturers and retailers at the time. Flour was often adulterated with china clay, plaster of paris, etc., sand was mixed with the sugar, and the number of ounces to the pound or of pounds to the stone varied from shop to shop. (3) Market prices were to be charged, and no credit given or asked. For a time there was much dispute in the co-operative world on the question of price. Should the store sell at the wholesale rate, plus a small charge for distributing costs, or should it sell at the same price as prevailed elsewhere? The Pioneers decided on the latter course, and the whole movement has followed their example. ''Cash or credit?'' was also a difficult question. If credit was allowed, then book-keeping expenses would be heavy, bad debts might be incurred, and members would slide down into the bad habit of buying more than they could afford. Since most of the members received wages weekly, it would be best for them to buy their goods weekly, paying cash over the counter. The store would thus always have money coming in for goods going out; with this it would

be able to pay cash for the goods it bought, and get discount on its purchases. "No credit," therefore, became the rule of the movement in the United Kingdom, though in some other lands, where the credit habit is deeply ingrained, that rule has been deserted.

The Dividend. (4) "Profits" (or, to be accurate, "net surplus") were to be divided *pro rata* upon the amount of purchases made by each member. This "dividend on purchases" is the vertebral column of co-operation of consumers. Let us explain it by taking the case of a member spending £1 a week at his own stores. Of this £1, 12/- is the wholesale cost of the goods he receives; 4/- goes to pay rent, wages, light and heat, depreciation and other working expenses; another shilling is taken to pay the fixed interest on members' capital. The total cost to the store is therefore 17/-, and if the goods are sold at that price income would just balance expenditure; the store would pay its way. The 3/- left is net surplus; where is it to go? In a private shop it would go as profit on capital. In a co-operative store it is returned to the pocket from which it came. On every £1 he spends the member gets back this surplus on his purchases. He therefore receives two things—interest on his capital, and dividend on his purchases. This dividend may be paid quarterly or half-yearly. If the member desires he can receive it in cash. If the money is not wanted, it can be left in the hands of the society as new capital, thanks to which the society can extend its operations.

Democracy of Consumers. The Pioneers were democrats, imbued with Chartist ideas, and so they made their society democratic in form. They provided (5) "That the principle of one member one vote should obtain in government, with equality of the sexes in membership." The management was to be in the hands of officers and committees elected periodically at a meeting of all members, and frequent statements and balance-sheets were to be issued. The principle of "one member one vote" is directly opposed to the policy governing joint stock companies, where the rule is "one share one vote." The grant of equal rights of membership to women shows the advanced views of the Pioneers; women were given a vote in the British co-operative movement 73 years before they were given it in the British state.

(6) The last article of the Rochdale creed shows that the Pioneers had no narrow material outlook. It stipulated "That a definite percentage of profits should be allotted to education." This was before the days of state education, university extension, Ruskin College, labour colleges, and the W.E.A., and it showed that if co-operation was to be a democracy it should strive to make itself an enlightened democracy.

Success. The Pioneers succeeded where hundreds of societies before them had failed. The Rochdale plan seemed exactly to meet all the requirements of its creators. The "divi" bound the wage-earners to the "co-op." just as the friendly society benefits bound workers to unions modelled on the A.S.E. plan. From the sale of groceries the Rochdale society passed to sell meat and draperies; in 1850 it took an active part in establishing a flour mill; in 1852 it began making shoes, clogs, and clothes, and in 1855 attempted to set up a wholesale department to supply goods to neighbouring societies. Progress was steadily maintained; the 28 members of 1844 had grown in 1921 to over 26,000, the funds from £28 to nearly £470,000, and in 1921 540 employees in 71 branch stores handled sales amounting to about £1,000,000.

Where Rochdale led, other places soon followed. Leeds in 1847 established a society for "the redemption of labour," and began with a corn mill and store. In 1919 the Leeds Society had over 80,000 members, employed 3,000 people, and sold £3,750,000 of goods. Throughout the towns and villages of the Midlands and North Country societies sprang up, and in almost every instance adopted the Rochdale rules. In 1920 there were about 1,400 retail societies, with over 4,000,000 members, a capital of £70,000,000, 140,000 employees, and a turnover of £200,000,000.

Difficulties. The early societies still found obstacles in their path. Inexperience and lack of education were overcome in time, but others remained. The first was the absence of any legal status. Until the societies obtained legal recognition, they could not protect their funds or property. Recognition was secured largely through the assistance of the Christian Socialists. Kingsley, Maurice, Hughes, and Neale were all keen co-operators, and the two last-named gave their legal services to help in securing the Industrial and Provident Societies Act of 1852. By this act co-operative societies were given legal status as partnerships, and members were allowed to hold shares up to £100 each.

The next difficulty was economic. As the societies grew they naturally aroused the hostility of private dealers, whose trade they were appropriating. These men, therefore, put pressure on the merchants and manufacturers, demanding that they should not supply goods to the stores or should at least charge higher prices. Some societies had difficulties in securing supplies, and such goods as they did obtain were often heavily adulterated. Further, there was the unpleasant feeling that on such purchases the middleman was making a profit. Co-operators, therefore, began to face the problem of getting behind retailing, and securing control of merchanting and manufacturing. This could be done by any big society whose trade was sufficiently large to enable it to buy in bulk or manufacture the goods it wished to sell. Hence some retailing societies have done this: they have their own productive works, and the Edinburgh Society in 1913 employed nearly a thousand workers making or preparing commodities. In 1919 the retail societies produced or prepared about one-fifth of the goods they sold.

But this was not sufficient. For certain big lines, demanding importations or large-scale production, some central body was required to serve the whole movement. Co-operators realized this by 1860, and agreed that a wholesale organization must be established. Legal difficulties were removed when the Act of 1852 was amended in 1862. The amendments put societies on the basis of joint stock companies, gave them limited liability, allowed each member to hold shares up to £200, and permitted one society to take shares in another.

The Wholesale Societies. The way was now clear, and in 1863 the North of England Co-operative Wholesale Society (known later as the English C.W.S.) was established in Manchester, to be followed five years later by the Scottish C.W.S. The necessary capital was provided by the various retail societies, and on it a fixed rate of interest was to be paid. The C.W.S. then set to work to procure or make for its members (the societies) the goods they required. These it sold to them, and at the end of the year distributed any net surplus among the members in proportion to their purchases. The Rochdale plan of "dividend on purchases" was applied to the wholesale as well as the retail trade.

The establishment of the C.W.S. meant the entry of the movement into

the wide field of world commerce. The necessaries of life of the British artisan were drawn from every corner of the globe, and the C.W.S. therefore had to scatter its depots and buying agents over every continent. The C.W.S. name-plate soon appeared on doors in Ireland, New York, Rouen, Copenhagen, Hamburg, Montreal, Gothenburg, Sydney, Colombo, etc., and in these offices vast purchases of materials were transacted. From purchase overseas to production overseas was a natural step. In 1902 two tea plantations were bought in Ceylon, and by 1920 nearly 20,000 acres of tea land were owned in Ceylon or India. A "concession" was obtained in Sierra Leone, and a palm-oil factory erected; 10,000 acres of corn land in Canada were acquired, and to-day the C.W.S. is seriously considering the acquisition of more wheat fields, cattle stations, and other sources of production.

The goods obtained from these distant quarters had to be transported to factories and warehouses in Great Britain, and the C.W.S. therefore determined to secure a fleet of ships for its work. The first vessel was purchased in 1876, and many others were acquired during subsequent years. But the economies were so small that little shipping was done, except in the trade between England and the north-west coast of Europe. The really great success came in the preparation and manufacture of materials in factories scattered throughout the United Kingdom. In 1872 the directors were authorized to commence production; in 1873 the Crumpsall Biscuit Works were purchased and the Leicester boot factory opened. Then came textile, cocoa, chocolate, clothing, flour, soap, furniture, printing, butter, lard, jam, tobacco, bacon, drugs, hosiery, tinware, paint, and other works, fruit farms, a coal mine, a fish service, until to-day almost every article required by the working classes can be obtained from a co-operative factory. Some retail societies draw almost the whole of their grocery, drapery, shoes, and leather from the C.W.S. The English and Scottish wholesale societies in 1919 had a total share capital of about £30,000,000; with this they employed in production and distribution about 32,000 people, and sold £113,000,000 of goods, of which over a quarter was co-operatively manufactured.

The activity of the C.W.S. was not confined to handling goods. At an early stage in its existence it realized the need for co-operative insurance and banking facilities. In 1872 the C.W.S. opened a loan and deposit department, which in 1875 became known as the banking department. By 1919 this bank kept current accounts for 1,116 societies and 3,347 trade unions, friendly societies and kindred bodies; its turnover was over £500,000,000. The net surplus was distributed on the co-operative plan—*i.e.*, in proportion to the amount of custom, whether that custom was debit or credit. The retail societies have thus been freed almost entirely from dependence on private banks.

Insurance began in 1867, at first for fire, but gradually all other branches, including life, were established. The most interesting feature of co-operative insurance is the collective life insurance, established in 1904. Under it all the members of any society are automatically insured by their society, without any exceptions or medical examination. The society pays a lump sum annually as premium, at the rate of a penny in the pound on the aggregate sales for the year. When a member dies, benefits are paid based on his average purchases during the preceding three years, and since 1910 benefits have been paid on the death of the husband or wife of a member. By 1914 about 450 societies had adopted this scheme, and insured nearly a million members (one-quarter the total membership of the movement). In

that year premiums amounting to £107,000 were paid, the cost of collection and administration being only 3 per cent. of this amount, as against 35 to 40 per cent. in other insurance concerns; 15,000 claims, amounting to £97,000, were met. In 1919 £411,000 was paid to claimants. The net profits on this scheme are returned to the participating societies in proportion to their premiums.

The huge and many-sided wholesale business is conducted on democratic lines. Control of policy rests with the periodical meetings of delegates from all the societies which are members of the C.W.S. Management is in the hands of an elected general committee, which is made up largely of men who belong by birth, training, and sympathy to the working classes. The failures have been few, the successes great, and the whole story of the C.W.S. is a standing tribute to the capacity of the British workers for "minding their own business."

The Co-operative Union. If the C.W.S. is concerned with the body of co-operation, the Co-operative Union looks after its soul. The Union was formed in 1872, and is a federation of the retail societies for educational, legal, propaganda, and political purposes. Its aim is stated to be the promotion of "the practice of truthfulness, justice, and economy in production and exchange," and in various ways it strives to prevent co-operation from degenerating to the level of a mere big business concern. Its sectional and central boards discuss points of policy; its parliamentary, educational, and other committees look after the various branches of its work, and help to form new societies. One of the most interesting tasks of the Union is in the field of education. The Pioneers stressed the need for education, and the Co-operative Union has endeavoured to keep this matter before the minds of members. Individual societies vote money for libraries, reading rooms, lectures, socials, entertainments, glee clubs, etc., and the total expenditure on educational work in 1919 was £124,000. The Co-operative Union arranges classes and correspondence courses in industrial history, economics, civics, co-operative theory, history and practice, bookkeeping and management. In 1915 it appointed an Advisor of Studies; in 1919 it decided to establish a Co-operative College as a memorial to co-operators who fell in the war.

In all this work the Union is assisted by the Women's Co-operative Guild, formed in 1883, which strives to create amongst women a lively interest in co-operative affairs. The Guild preaches loyalty to the store, urges its members to win recruits, keeps a watchful eye over the treatment meted out to female employees, and encourages women to seek election to responsible positions. At the same time, it has looked wider afield, and interested its members in the suffrage, divorce law reform, school clinics, child welfare, and other campaigns.

Co-operation and the War. On the outbreak of the war, the co-operative movement generally set to work to prevent unnecessary increases in prices. Serving one-third of the population (chiefly the poor section), its interest was naturally to obviate the hardships which would arise from inflated prices. It gave a ready response to government appeals, and so organized production and distribution that during the dark days of 1917 there were scarcely any food queues outside its stores. Two things, however, eventually aroused the wrath of co-operators. When the government was appointing committees to advise it or take charge of some branch of national service the co-operative movement was often ignored, and the

assistance of private traders alone used. Business men filled post after post, they were given control over food, clothing, etc., but the co-operator, possessing the experience which comes from handling supplies for over 3,000,000 families, was overlooked, although co-operative interests might be vitally affected by the various controls. Secondly, certain anti-co-operative interests revived the demand that dividends, being profits, should be taxed, and any increase in them regarded as excess war profits. Since co-operative societies sell to themselves—*i.e.*, their members—they cannot make a profit out of themselves; the dividend is merely a deferred rebate, and could be abolished entirely by selling goods at cost price, plus distributive charges. Yet the cry for taxation grew strong in certain quarters, and one or two chancellors of the exchequer seemed to favour it.

These two factors, amounting to apathy or hostility towards the movement, caused co-operators to think hard. Their immense interests were insecure so long as private traders had the floor of the House of Commons from which to make their attacks. Should co-operation therefore seek political representation? The question was not new, but had always been answered in the negative. Now in 1917, under the pressure of these attacks, and under the influence of the ideas of reconstruction which were in the air, the Co-operative Congress abandoned the neutral policy of over 70 years, and decided to run its own candidates on its own platform at the next election. That platform included the safeguarding of co-operation, the eventual state ownership and democratic control of the means of production, distribution, and exchange, a vigorous state housing policy, drastic educational reforms giving equality of opportunity to all, democratic control over foreign policy, land taxation, careful and gradual demobilization, and a levy on wealth to cancel part of the national debt. The decision and the platform were generally approved by the rank and file of the movement; ten co-operative candidates stood at the general election of 1918, and one was successful. While it is doubtful whether the new party will ever be strong numerically, events since the Armistice suggest that co-operation may enter more into a close working alliance with trade unionism and political Labour.

Co-operation in Other Lands. Co-operation of consumers made considerable progress in other countries, both before and after 1914. In Germany little advance was recorded before 1900, but in 1913 1,500,000 members were enrolled in about 1,200 societies. By 1918 there were 2,250,000 members, and the number has grown rapidly since. The Hamburg society in 1919 had 110,000 members, ran 227 shops, and owned 45 blocks of dwellings. French co-operation nearly doubled its membership between 1914 and 1918. Belgium had many big societies before 1914, and co-operation has revived rapidly since 1918. The advance of the movement in Russia was one of the outstanding features of the war years. In 1905 there were 1,000 consumers' societies; in 1914, 10,000; in 1917, 20,000. In December, 1918, about 12,000,000 members were enrolled in 25,000 societies, one of which (Moscow) had 210,000 members. In the United States co-operation recorded little but failure until 1900. Since then much progress has been made, and in 1920 there were about 3,000 consumers' societies, with a trade of $200,000,000 a year. On the Pacific coast the societies are strongly supported by the trade unions, in Illinois by the miners, and in 1918 the American Federation of Labour resolved to start a vigorous propaganda in favour of co-operation.

Australia. Until quite recent years co-operation has been negligible in volume and influence in Australia. Labour effort concentrated on unionism and politics, and ignored co-operation. Few people were aware of the size of the movement elsewhere, and some trade unionists opposed co-operation because they feared that any indirect reduction in the cost of living by the receipt of "divi" would be used as an argument to prevent wage increases in the arbitration courts. Still the movement was not entirely unknown, especially in South Australia and the coal districts of New South Wales. The oldest society, Adelaide, began in 1868 with nine members and a capital of £5. The first week's trade was 7/6, the first year's £150. In 1920 there were 9,000 members, 350 employees, a capital of £170,000, and a turnover of nearly £400,000. The Port Adelaide Society began in 1896 with £1 10/2. This sum was invested in butter, which two committeemen sold from door to door. In 1920 this society had 1,500 members and £60,000 trade. New South Wales has about 30 societies, of which Balmain, founded in 1901, is the largest in the Commonwealth, with 13,500 members and over £400,000 turnover in 1920. The rapid increase in prices after the Armistice, and the apparent futility of political action drove many people towards co-operation; for instance, in Adelaide the public servants and the returned soldiers each established societies in 1920. In the same year an important interstate co-operative conference was held in Sydney, and a Co-operative Union decided upon. In that year over 80 societies were in existence. Most of them work on Rochdale lines, but credit trading is much more prevalent than in Great Britain. The need for a C.W.S. has long been felt, and one was established some years ago at Newcastle; but as yet its influence has not been great.

Conclusion. Co-operation among consumers has reached a high point of development, especially in Europe. Economic pressure has driven it from retailing to wholesale buying and large-scale production, and there is no reason why the movement should not have eventual control of land, mines, factories, ships, and everything else necessary for the production of the goods required by its members. Certain industries, as for instance lighting, transit, machine-making, luxury and export trades are perhaps beyond its ken, but in the big staple occupations which produce the goods required by the millions of consumers, there is still abundant room for expansion. Co-operation has limitations; it will not cover all the field. Further, it still leaves unsolved the question of the relations between producer and consumer. It is easily possible for co-operation of consumers to exploit the producer quite as badly as does the profit-seeking capitalist. But we must discuss that in the next chapter.

Books Recommended. Clayton, J., "Co-operation"; Webb, C., "Industrial Co-operation"; Potter, B., "The Co-operative Movement"; Redfern, P., "The Story of the C.W.S."; Holyoake, G. J., "History of Co-operation"; "The Co-operative Movement" (*New Statesman* Supplement, May 30, 1914); Fay, C. R., "Co-operation at Home and Abroad"; Woolf, L. S., "Co-operation and the Future of Industry."

CHAPTER XXVII.

CO-OPERATION OF PRODUCERS.

The co-operative movement described in the last chapter is based solely on the interests of the consumers. As such it resembles collectivism, except that it is a perfectly voluntary institution, standing on its own feet, while collectivism involves compulsion, with state administration. Some of the criticisms applied to collectivism therefore apply to co-operation of consumers.

Especially is this true of the relation between the "co-op." and its employees. As the C.W.S. and similar bodies extend the scope of their productive efforts, and as the retailing societies increase their turnover, a growing body of workers becomes subject to a new type of employer. The old employer tried to get his labour supply cheaply, in order to produce large profits; the new one may try to do the same thing in order to be able to pay the largest possible dividends on purchases. Hence, though the two employer's motives are different, the same problems may confront the wage-earner—problems of hours, wages, factory and shop conditions, trade union recognition, some voice in control, and some share in the product. The co-operative employee may be—and sometimes is—treated just as badly in one or more of these matters as the man who works for a slave-driving capitalist. Working men, probably strong unionists, may, when clothed in authority as committeemen or directors, sweat those under their control, subordinating the welfare of the employees to the desire to declare a big "divi."

On the other hand, especially in the big retail societies and the C.W.S., recent years have witnessed a marked improvement in the attitude of the movement towards its employees, and the conditions in many cases are now equal to, or better than, those provided by the best employers. There is greater security of employment, and dismissal is improbable, except for flagrant offences. Working conditions, especially in some of the C.W.S. factories, reach a standard of cleanliness, comfort, lighting, etc., far above that imposed by the factory acts. Wages are equal to the trade union rates; early in the present century the C.W.S. established a minimum wage for its male workers, and in 1914 for its female employees, but the pressure of competition from private stores and factories makes it impossible to pay much higher rates than prevail in rival concerns. Finally, trade unionism is now more frankly recognized. Thus the movement has come to realize that it cannot ignore the labour problem, and that exploitation must be eliminated in every corner.

But the employee is still an employee, almost as completely as in a capitalist store. As a member he may exert some influence at general meetings, and the worker in the Scottish C.W.S. was able until recently, by taking up shares, to secure a small voice in the management of his factory or warehouse. But with these exceptions his position is fixed. All that the syndicalist and guild socialist say about "wage-slavery" in capitalist industry applies equally to co-operation. If, therefore, the aspiration of labour is, as these critics assert, to get industry controlled by those who

work in it, co-operation of consumers takes us no distance on that path. We must look elsewhere and turn our attention to co-operation of producers.

Productive Co-operation. The idea of the self-governing workshop where capital and labour are supplied by the same people has fascinated many men during the last 80 years. To the worker himself, to middle-class sympathizers and philanthropists, and to some conservative statesmen, it has seemed a pleasant and easy way to economic freedom. Hence the number of experiments in co-operative production runs into thousands, scattered over France, Belgium, Germany, Italy, and the United Kingdom. Nearly all of them owe their inspiration to France, the classic home of the idea. In 1831 Buchez persuaded a small group of Parisian cabinet-makers to establish a society, pooling their small capitals, accumulating more whenever possible, and paying the same wages to all the workmen-capitalists. The society lasted only a few months, but a similar organization of working jewellers, formed in 1834, lived in various changing forms until 1896. During the forties Louis Blanc was advocating "social workshops" and co-operative self-employment, and during the revolution of 1848 about 80 such enterprises were established, half of them receiving some assistance from the state. In 1854 31 were alive: the remainder had failed or been crushed by the police. Still, 17 of them survived till 1887, and three of them lived to have a golden jubilee in 1908.

A second outburst of zeal occurred in the sixties, a third after 1880. Here and there some philanthropist left money to help workmen to independence; municipalities let contracts to co-operative groups on favourable terms, and in 1893 the French government began to make small subsidies or advance loans at 2 per cent. In 1914 there were 500 groups of producers, with 20,000 shareholders, 25,000 operatives, and a gross turnover of £3,000,000. All were in occupations in which skill or strength are more important than capital; all were in small-scale industries—*e.g.*, building, furniture, metal, leather, printing, and similar trades. One or two dealt with a large volume of work, as for instance a painting and decorating society with a business of £60,000 a year, or a large joinery firm which did £80,000 of work yearly. But the great majority were unstable and unsuccessful. They rose suddenly, often after a strike, when men were determined to do anything rather than go back to work for the "boss." A society was established, and the members threw themselves into the work with intense fervour, toiling long hours, and accepting low pay. But the fever subsided, and trouble crept in. Discipline was absent, and there was nothing to fill its place. Friction and quarrels developed, the manager was dismissed or retired in despair, goods were made but could not be sold, and the members began to feel that they were no better off than when they worked for an employer. The end was then not far away.

The experience of France was repeated in most adjacent countries. Belgium started co-operative workshops in 1848, and since 1885 many others have appeared—and disappeared. Germany tells the same story of many experiments but small achievement. The General Commission of German Trade Unions in 1911 pointed out to its members that associations of producers were useless, dangerous to labour solidarity, and doomed to failure, unless they were managed by technical experts, adequately financed, and in close touch with consumers' societies. In Italy there were in 1910 578 associations of producers, chiefly in the metal-work and printing trades. Some of them have been quite successful, especially one in the glass-blowing

industry. In 1903 the glass-blowers' union, after a big strike, decided to start its own glassworks. It purchased a factory, and its members worked very hard to ensure success. A capable business organizer was put in control, and soon the union owned five works, had 2,000 men employed there, and produced about 60 per cent. of the total national output of bottles and wine flasks. The most interesting experiments in Italy have been the "labour contracting societies," which, starting in 1886, in 1910 numbered 1,000, and had a membership of 95,000. These societies are entirely working-class in origin, and contract to supply gangs of workmen and implements for building, road construction, general labouring, work on wharves, paving, quarrying, irrigation, land reclamation, etc. They secure favourable terms in municipal and government contracts, but only shareholders may be employed, and the control of the society must be entirely in the hands of the workmen. The masons' society of Milan, between 1890 and 1900, did £260,000 worth of work for the municipality. Any profit made goes partly to reserve fund, and the remainder is distributed as a bonus on wages. In one place a co-operative society owns a small branch railway built some years ago by its members, and has christened one of its three locomotives "Karl Marx."

Co-operative Production in Great Britain. During the early part of last century many men endeavoured to find some alternative to the capitalist system which was so rapidly establishing its supremacy. Some of the small clothiers of Yorkshire, faced with the competition of the big mill, pooled their resources and established co-operative factories, in which they and their journeymen should work, enjoying all the benefits of machinery and steam-power. Late in the forties the Christian Socialists set out to find some scheme of social redemption. In 1849 Ludlow visited Paris and came back full of the idea of workmen's associations. A Society for Promoting Working Men's Associations was formed, and for two or three years earnest efforts were made to establish little self-governing workshops of tailors, shoemakers, smiths, printers, bakers, etc. The Association provided all or most of the capital, and then gave the workmen complete control. No attempt was made to exclude undesirables. Mismanagement soon became rife, quarrels broke out in every shop, order disappeared, and where a little success was achieved the members at once tried to exclude new members so as to keep all the benefits for themselves. The Association in 1851 had to deprive the shops of all self-government, and in 1852 the movement collapsed.

Since then hundreds of attempts have been made to establish similar enterprises. Individual workers have added their small savings together to establish printing, tailoring, and shoemaking shops of their own. Trade unions have used part of their funds to acquire engine works, mines, printeries, and carpentering plants. In Lancashire some textile companies have been largely financed by £1 shares taken up by working men and women, and for a time the Labour Co-partnership Association, founded in 1884, gave financial and other assistance to groups of workmen who wished to secure co-operative independence. Of all these ventures, scarcely one succeeded in retaining full self-government. Some of their capital is held by non-employees, co-operative societies, or by the C.W.S., and the tendency generally is for this external control to increase.

Failure and Success. The experience of co-operative production in industry is most depressing. The policy has been applied largely to occu-

patious where labour is a more important factor than capital, and where small-scale production still holds its own. Yet the field is strewn with failures, and there are no big resounding successes. The societies start with high hopes and a fervid patriotism: within a few years they are dead, or have become dependent on consumers' societies for their markets, or have passed entirely into the possession and control of a capitalist or the C.W.S. Why this almost universal failure?

Three chief reasons can be indicated. (1) Problems of discipline have wrecked most ventures. So long as the workman is also owner, so long, human nature being what it is, will he regard the foreman and manager as his inferiors. In the workshop he is a servant, but in the committee room or general meeting he is master. This dual position has been fatal to success, and the position of the manager has rapidly become intolerable. Only where control has passed into the hands of the external shareholders has it been possible to institute such a measure of order and stability in management as is necessary for efficient work. (2) Too little attention has been given to the commercial aspect of the work. The average workman, specializing on some branch of production, tends to think that production is everything, sale nothing. He fails to realize the need for watching the market, whether for the purchase of raw materials or so that he may produce goods likely to sell. Success in industry depends quite as much upon commercial acumen as on good factory organization and efficient methods. The quality and quantity of the demand must be guaged, not so much the demand of to-day as that of six or twelve months hence. Co-operative producers have often thought that whatever they made would find a ready market. Their disappointment has been bitter. (3) Co-operative firms have become conservative, slow to move, and leisurely in adapting themselves to new possibilities or requirements. The capitalist is generally on the alert, ready to take up some new material, new process, new machine, or new commodity. The spoils go to the swift—and few co-operative groups have qualified for a share of those spoils. The skilled workman, trained for years to certain tasks and methods, will not of his own accord abandon them for something strange. What is new is bad—or, at least, dangerous, for it may deprive him of his job or cancel the value of his skill. Further, co-operative producers have frequently found that their own class—the wage-earners—did not give them support, but went elsewhere for their goods, and but for the support of the C.W.S. or some public body co-operative production would have been a greater failure than it has been.

Agricultural Co-operation. All that has been said above applies only to industrial co-operation. In agriculture the conditions are different, as also are the results. In industry, the independent individual, working by himself with his own equipment, is comparatively rare. In agriculture, he is the rule in many lands. His central task is production; but before and after production there are commercial, financial, and industrial problems which affect very intimately the net return he is to get from his own labour. For his work he requires capital, machinery, seeds, manures, live stock, etc., and if he has to pay heavily for these things his income is reduced. In preparing his produce for the market there is often some necessary process of manufacture or packing (*e.g.*, butter making, bacon curing, etc.) which is most economically done on a large scale with comparatively elaborate plant. The small man benefits by lower costs of production in so far as he can take advantage of up-to-date equipment, but he himself cannot afford

or find continuous full use for that equipment. Finally, the net income of the rural producer is determined partly by the price he has to pay for freight to the market, and the fees he is charged by agents who dispose of his goods for him there. The larger the amount for sale, the stronger will he be in bargaining with the carrier or agent; with a very big output he may even be able to employ his own seller. The small man, therefore, requires two things to make his labour of greatest value: (1) the benefits of large-scale production or manufacture, (2) strength, control, or actual independence in buying, selling, and borrowing—*i.e.*, integration.

These things, along with the limitation or abolition of competition, are secured by agricultural co-operation in one form or another, and such co-operation has therefore spread over the rural world rapidly during the last thirty years. We find it not merely in Denmark, Ireland, Russia, and Germany, but also throughout Asia, parts of America, Australia, and some of the Pacific islands.

Co-operative Credit Banks. One of the biggest difficulties of the small farmer has always been to obtain credit on reasonable terms. The ordinary bank has usually either demanded strong material security and charged high interest, or refused to be bothered with small loans. Hence the peasant has been driven into the hands of the produce merchant or the money-lender, who may exploit him right and left. Meanwhile individual savings in country districts have either been hoarded or deposited with some branch of a big bank, which has sent them off to headquarters to be used for industrial and commercial purposes instead of for rural "accommodation."

How to free and assist the peasant farmer was a problem which perplexed the mind of F. W. Raiffeisen, burgomaster of a group of Rhine villages. In 1849 he established a loan society for the benefit of the small farmers, with capital provided by rich philanthropists, but in 1862 another society was formed, of which the borrowing farmers were themselves the shareholders. Similar societies soon sprang up elsewhere, and the Raiffeisen Bank became the salvation of the German peasantry. It has been copied in part or whole in many other lands, and so is worthy of description.

The object of the society was "to improve the situation of its members, both materially and morally . . . to obtain through the common guarantee the necessary capital for granting loans to the members for the development of their business and household, and to bring idle capital into productive use." The word "morally" should be noted. Raiffeisen was an earnest Christian, and moral progress was to him as important as material. But moral and personal relationships could only be kept strong in a small society, in which the controlling body knew, and was known by, all the members. Therefore the area covered by any society was not to contain more than 1,500 people; the village was an ideal unit.

In this village the peasants would band together in a credit society. The share capital was very small, not more than 10/- per member, but behind this nominal amount stood the acceptance of unlimited liability by the members. If the bank failed, its creditors could recompense themselves by taking the property of the shareholders until that property was all gone or the debts had been fully repaid. The peasants backed their bank with all they had, and therefore dealt very cautiously with any money entrusted to them. A room was rented, an executive and accountant appointed, and the bank opened once or twice a week to receive deposits. These were drawn from

the savings of the villagers. The bank drew in the spare money of the district, paid a small interest on it, and kept it for the use of the district. In 1876 a Central Bank was established, which acted as a safe-keeper for the surplus funds of the local banks, kept current accounts for them, and built up a central reserve from which heavy credit calls could be met.

The local executive at its weekly meeting considered all applications for credit. Three conditions had to be met to the satisfaction of the executive. The applicant must possess a good character, and be known to be honest, sober, and industrious. He must be a capable person, skilful and efficient at his work. Finally, the plan for which he wished to borrow must be one likely to succeed. No drunkard, no careless farmer, and no wild-cat scheme had any hope of winning the approval of the executive. The applicant who satisfied the board got his credit at 4 or 5 per cent. per annum, and might have from a month to ten years in which to repay the loan. If the local bank had not sufficient funds for the purpose, it might obtain an advance from the Central Bank, and this bank could, if necessary, borrow at 3 per cent. from the Central Co-operative Bank, set up by the government in 1895 to lend money to unions of credit societies. If the loan required was to purchase land, the local bank would buy the land, and hand it over to the applicant, who would thus become the debtor to the bank instead of to the seller, land agent, or money-lender, paying the price in regular instalments. Some small banks in this way purchased whole estates and cut them up for sale to their members. Great strictness was displayed in enforcing the repayment of debt, and the defaulter was black-listed, perhaps for the rest of his life.

The whole plan has worked very smoothly. Administration costs are low, for the only salaried person is the accountant. Priest and schoolmaster have given invaluable aid, the latter often acting as accountant. A spirit of mutual help and co-operation has been fostered, prosperity has replaced failure, and village life been freed from the grip of the big bank and the usurer. In addition to the Raiffeisen societies, similar groups grew up under the leadership of Dr. Haas. The Raiffeisen and Haas banks in 1910 numbered over 17,000, with a membership of over 1,500,000. Their chief strength lay in south-west Germany and the Rhine Valley. The returns for nearly 15,000 of these banks showed a turnover in 1910 of £262,000,000. All were based on unlimited liability, which in theory is a very unsafe foundation. But so cautiously were the societies administered that in sixteen years (1895-1910) there were only nineteen failures. In 1913 this excellent record was broken by the partial collapse of the Haas organization. The Haas Central Bank had been using the government Central Bank too freely, and had therefore become less cautious in making advances to small societies. The latter, finding they could get as much as they asked for, relaxed their vigilance, and soon found themselves with too much credit and bad debts on their books. The crash came in 1913, and a number of the Raiffeisen banks were also brought to grief. Recovery was slow, and the lesson sank deep into the minds of all—Beware of leaning on any outside aid!

Productive and Other Societies. German agricultural co-operation is not limited to credit work. Some of the Raiffeisen credit societies undertake buying, manufacturing, and selling for their members, and in 1913 nearly 15,000 other societies existed for such work as buying machinery, seed, fertilizers, etc., making butter and cheese, distilling and wine-making,

supplying electric light and power, breeding cattle, forestry, providing common pasturage, packing produce, and selling cattle, corn, eggs, wine, etc.

The experience of the German peasants resembles that of small farmers in many other lands. Russia in 1913 had 12,500 credit societies, 2,500 co-operative dairies, and 2,000 miscellaneous groups. The chief strength was in Siberia, where a vast butter industry had grown up, aided by Danes, a good railway service, and co-operation; the training which the Russian has received in the communal life of his village fits him well for successful co-operative effort. In India co-operation began about 1903, and by 1913 there were 12,300 societies in existence, with nearly 600,000 members. Their chief work was credit; but from credit they went on to silk-weaving, sugar works, dairies, and the co-operative sale of cotton. In Japan, where 70 per cent. of the cultivators hold less than 2½ acres each, over 9,000 societies had emerged by 1913, of which over 7,000 did credit work. In Canada work began in Quebec, where Mr. Desjardins in 1900 began to preach co-operation and to found credit banks. In spite of strong opposition, progress was made, and by 1912 there were 110 banks with 30,000 members in Quebec. The United States became interested in co-operation about 1912, when the problem of conservation was being faced. A big commission of investigation was sent to Europe to study the matter, and its report was strongly in favour of the establishment of co-operative societies, especially among the small farmers of the country. Since then hundreds of societies have been established; but in some states, especially North and South Dakota, the farmers have organized politically in the Non-partisan League, and are looking to the State to deal with the problems of credit and distribution. Of Belgium, Holland, Denmark, and Italy one need only say that credit and other societies abound, and are generally very successful.

The movement has made some progress in Australia, though until quite recently it has been almost as neglected as co-operation of consumers. The habit of leaning on the state does not foster a corporate spirit, and where the state will not act the farmer is driven to depend on the private bank and merchant. Hence many big businesses have been built up simply by doing work which the farmers, acting in co-operation, could have kept in their own hands. This applies especially to the sale and export of wool, wheat, or fruit. Still, societies now exist for milling, dairy work, jam making, fruit grading and packing, as well as the sale of wheat and wool, and some of them have grown to great size.

The United Kingdom. The chief progress in the United Kingdom has been in Ireland. Some evil genius has held co-operation in check in England, and although the Agricultural Organization Society was formed in 1901 to foster co-operation, the results have been small. In 1918 there were 1,100 societies in existence, with a membership of 160,000. Credit work has been a failure, but productive and distributing societies can show a better record. The story of Ireland is one of great achievement. The Land Purchase Acts of 1885 and 1903 made it possible for Irish tenants to purchase their holdings, and Ireland rapidly became more and more a land of peasant proprietors. But ownership alone was not sufficient; education and co-operation were essential if the country was to scramble out of the slough of despond. Under the influence of Sir Horace Plunkett, co-operative propaganda began in 1889. Two years later sixteen dairy societies were formed, and within three years the number had doubled. In 1894 the Irish Agricultural Organization Society was formed, with Plunkett as its chair-

man, and under its influence the theory and practice of co-operation was driven into the minds of the Irish people. Unsectarian and non-political, it knit together Catholic and Protestant, Nationalist and Unionist. It sent advocates out into the highways and by-ways, and fought doggedly against apathy and opposition. Its work was aided by the spread of agricultural education, and since 1900 its achievements have been wonderful. By 1917 there were 940 societies; of these, 340 were creameries; 250 were concerned with purchase and sale of implements, fertilizers and seeds; 170 were credit banks, and the remainder were flax-treating, poultry-keeping, bacon-curing, and other societies. In all 114,000 farmers were enrolled and the turnover was over £7,500,000. Agricultural co-operation has played an exceedingly important part in altering the whole countenance of Irish rural life.

Conclusion. Agricultural co-operation, therefore, has met a vital need, and small farmers in many parts of the world have been quick to take advantage of it. Wherever it has succeeded it has released the land-worker from the grip of some outside exploiter, and has given to the producer a greater share of the value he has created. As it progresses it strengthens the hand of the small man and brings a very necessary community of interests and sense of corporate well-being into the country districts. Its success creates two dangers. In the first place, the peasant proprietors may attempt to exploit such wage-earners as they employ, and this must be met by strong trade union organization. In the second place, the societies may use their strength to exploit the consumer and take advantage of the limitation of competition to extract high prices. This can be met by joint agreement with associations of consumers, but such agreement is not easily reached.

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